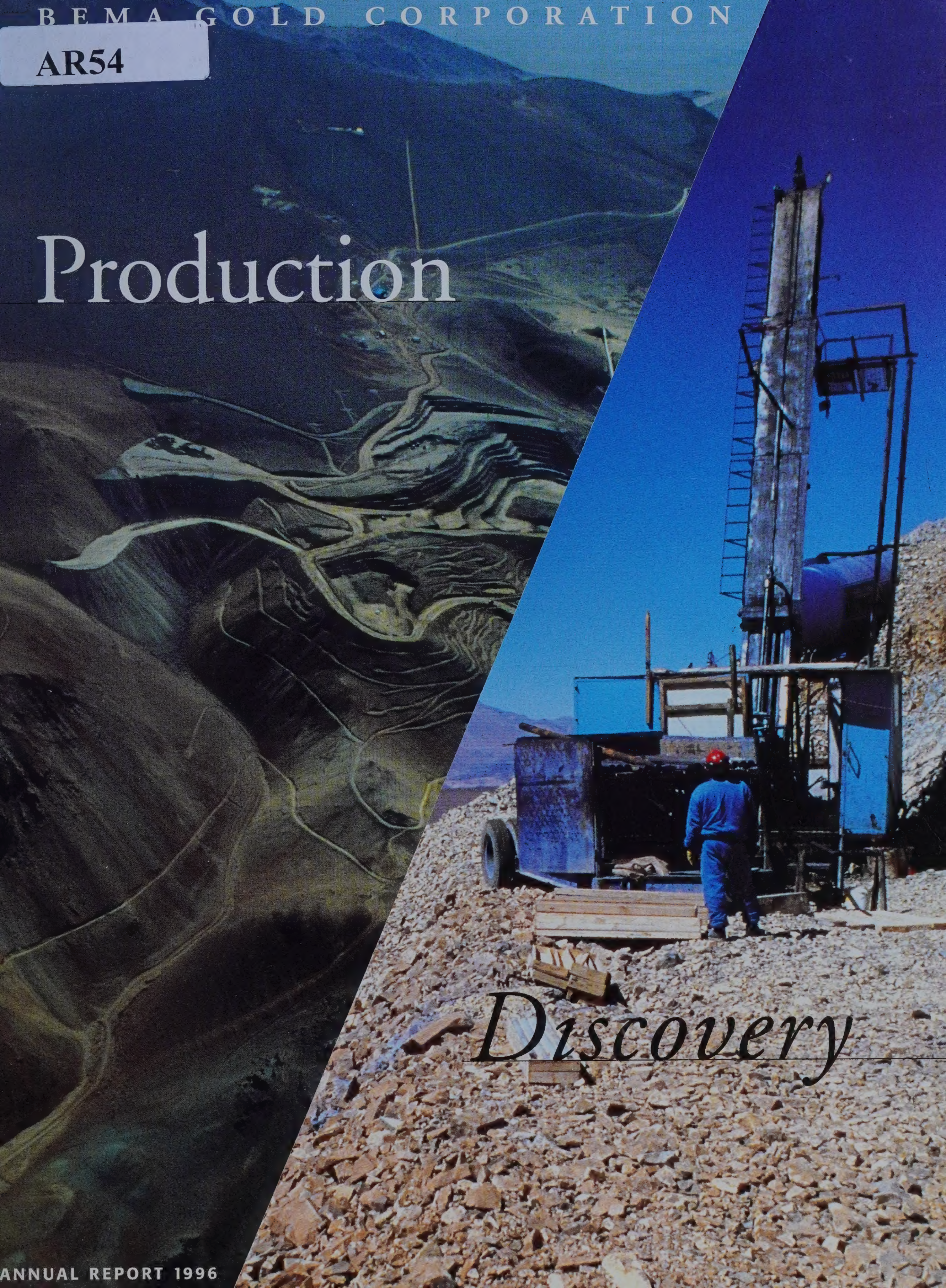
BEMA GOLD CORPORATION

Production

Discovery



ANNUAL REPORT 1996

CORPORATE PROFILE

Bema Gold Corporation is an intermediate gold producer with proven capability to discover, develop and produce gold.

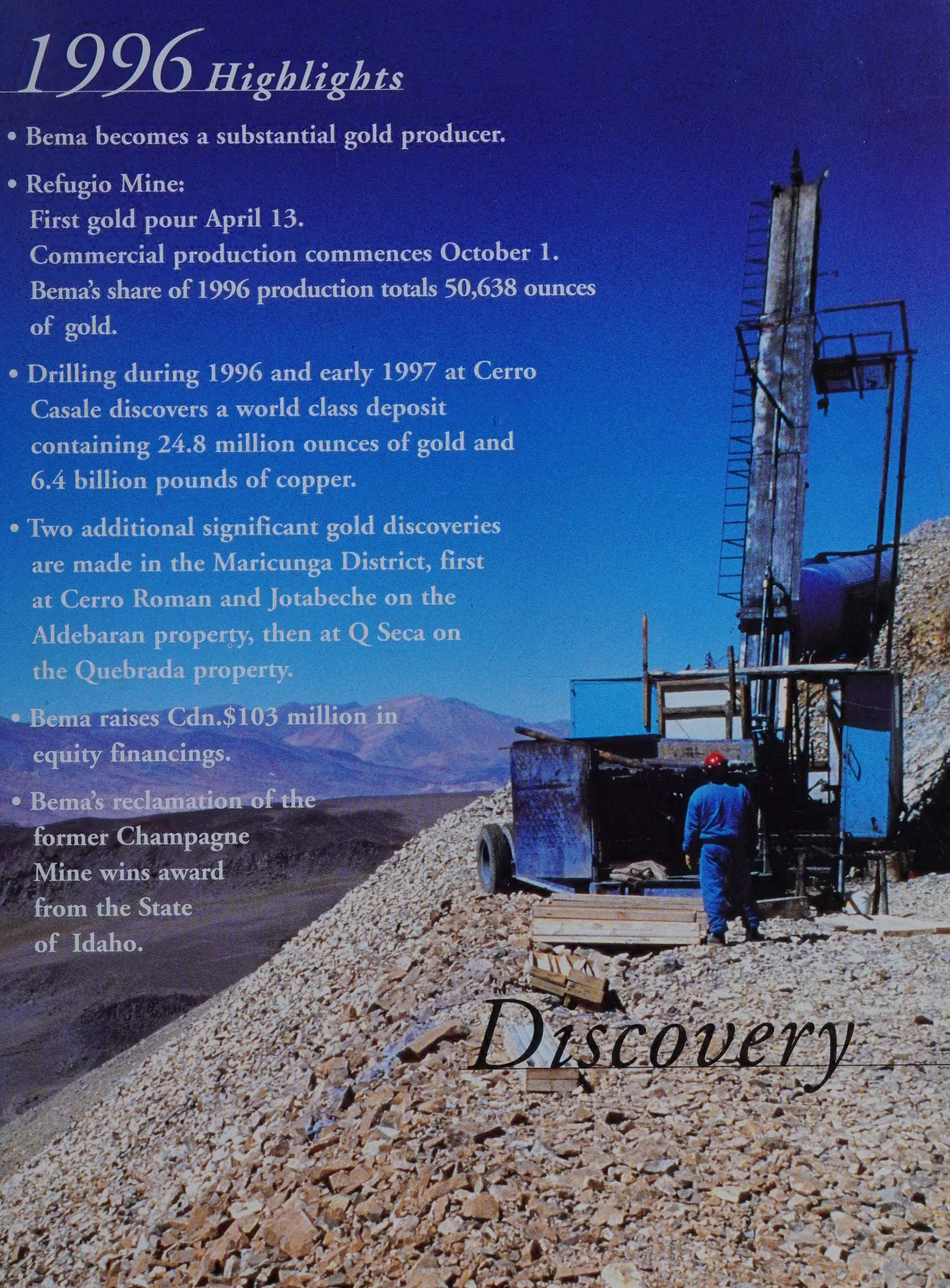
Production at the Company's 50% owned Refugio Mine in Chile has averaged 18,847 ounces of gold per month at an average operating cost of $238 per ounce during the first six months of commercial production which began October 1, 1996.

Bema has also made several significant gold discoveries, the most dramatic occuring at the Cerro Casale deposit, 30 km from Refugio, where a geological resource of 24.8 million ounces of gold and 6.4 billion pounds of copper was recently calculated by independent consultants.

Bema is based in Vancouver, British Columbia. The Company's common shares are traded on The Toronto Stock Exchange, the American Stock Exchange and the Vancouver Stock Exchange under the symbol BGO.

1996 Highlights

- Bema becomes a substantial gold producer.
- Refugio Mine:
  First gold pour April 13.
  Commercial production commences October 1.
  Bema's share of 1996 production totals 50,638 ounces of gold.
- Drilling during 1996 and early 1997 at Cerro Casale discovers a world class deposit containing 24.8 million ounces of gold and 6.4 billion pounds of copper.
- Two additional significant gold discoveries are made in the Maricunga District, first at Cerro Roman and Jotabeche on the Aldebaran property, then at Q Seca on the Quebrada property.
- Bema raises Cdn.$103 million in equity financings.
- Bema's reclamation of the former Champagne Mine wins award from the State of Idaho.



Discovery

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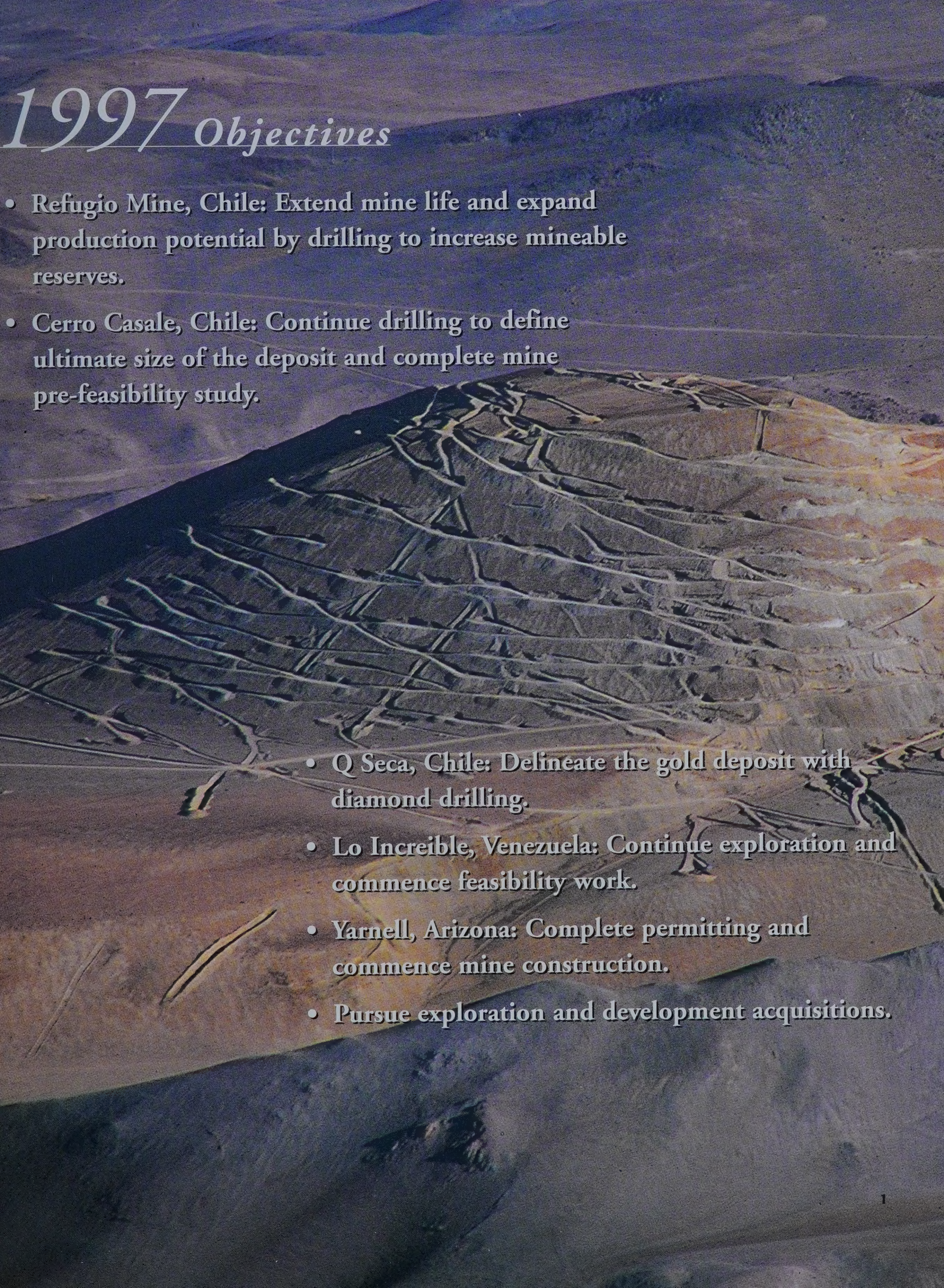
Note: Currency is expressed in United States dollars throughout this Annual Report, except where noted.



1997 *Objectives*

- Refugio Mine, Chile: Extend mine life and expand production potential by drilling to increase mineable reserves.
- Cerro Casale, Chile: Continue drilling to define ultimate size of the deposit and complete mine pre-feasibility study.
- Q Seca, Chile: Delineate the gold deposit with diamond drilling.
- Lo Increible, Venezuela: Continue exploration and commence feasibility work.
- Yarnell, Arizona: Complete permitting and commence mine construction.
- Pursue exploration and development acquisitions.

1994

April

Encouraging first phase drill results from Lo Increible, Venezuela.

September

Refugio Mine financing completed.

November

Refugio Mine construction begins.

1995

January

Bema negotiates option to acquire 49% of Aldebaran Property, Chile.

February

$85 million gold loan for Refugio Mine drawn down.

August

Initial geological resource of 835,000 ounces of gold at Lo Increible, Venezuela.

December

Refugio Mine construction completed.

1996

April 13

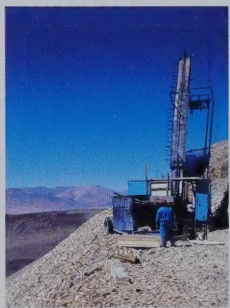
First gold poured at Refugio Mine.

May

Cdn.$15 million equity financing for drilling of Aldebaran sulphide deposit.

July

Option to acquire 100% interest in Quebrada property.



August

Deep drilling at Cerro Casale discovers world class gold copper deposit.

September

Cdn.$88 million equity financing completed.

October 1

Commercial production begins at Refugio Mine.

December

First quarter of commercial production from Refugio Mine totals 61,222 ounces of gold at an operating cost of $233 per ounce.

1997

February

Q Seca drilling discovers potential for significant gold deposit.

April

Exploration drilling success at Lo Increible results in increase of geological resource to two million ounces of gold.

April 2

Cerro Casale drilling establishes a geological resource of 24.8 million ounces of gold & 6.4 billion pounds of copper, as determined by an independent consultant.

My fellow shareholders,

1996 will be remembered in Bema's history as a year of great successes: development success with the commencement of commercial production at the Refugio Mine in Chile; unprecedented exploration success with a number of gold discoveries, including the world class Cerro Casale gold copper deposit; and, finally, financial success with positive operating cash flow from the Refugio Mine and equity financings that raised over Cdn. $100 million for the Company.

From the successes of 1996, Bema has emerged as an intermediate gold producer poised for dramatic future growth. By continuing to develop our existing gold discoveries into mines, Bema is destined to join the ranks of the senior gold producers.

"Bema has emerged as an intermediate gold producer poised for dramatic future growth."

PRODUCTION

The successful commencement of gold production at our 50% owned Refugio Mine was not only a major success for 1996, but as our first major gold mine, a momentous event in our history. Despite initial start-up problems due primarily to mechanical problems in the crushing plant, the Refugio Mine produced its first gold in April of 1996 and commenced commercial production October 1, 1996 producing over 100,000 ounces of gold for the year. In its first quarter of commercial production (the fourth quarter of 1996), over 60,000 ounces of gold were produced with an average cash operating cost of $233 per ounce. This achievement represented higher gold production and lower operating costs than projected for the quarter.

The successful start-up of Refugio was due in large part to the strong working relationship between Bema and our 50/50 joint venture partner, Amax Gold. Together our technical management team supports a strong Chilean work force. The Refugio Mine stands as an example of how two companies can unite to overcome numerous challenges to realize a common goal.

The Refugio Mine is projected to produce an average of 233,000 ounces of gold per year with average cash operating costs of less than $250 per ounce over the next 9 years. During the first quarter of 1997 the mine on average operated at approximately 10% below design capacity of tonnes delivered to the leach pads. Fine tuning of the crushers, conveyors and screens is ongoing to ensure the operation performs consistently at the design capacity of 30,000 tonnes per day.

The Verde ore body at Refugio has shown remarkable consistency between gold grades projected in the mine development plan and the grade of the ore delivered to the leach pads. In addition, the leaching process has worked well, indicating the potential for higher gold recoveries

than projected with significantly less cyanide required to recover the gold than initially projected.

Bema and Amax Gold are committed to expanding production at Refugio. To this end, a feasibility drill program commenced in 1997 on the Pancho deposit where previous drilling has outlined a near surface resource of 2 million ounces. In addition, deep drilling is planned to further test the potential extension of the Verde deposit to depth. The Pancho deposit and the possible expansion of Verde offer excellent potential to substantially increase Refugio's gold reserves and annual gold production.

"One of the most dramatic events of 1996 was the discovery of a huge gold copper porphyry deposit beneath the Cerro Casale oxide deposit."

CERRO CASALE DISCOVERY

One of the most dramatic events of 1996 was the discovery of a huge gold copper porphyry deposit beneath the Cerro Casale oxide deposit on the Aldebaran property in Chile owned 49% by Bema and 51% by affiliate Arizona Star. In April 1996, Bema raised Cdn. $15 million at Cdn. $5.00 per share to fund the first deep probes below the oxide. In June the results of two deep holes were released indicating a high grade breccia zone within a large, well mineralized gold copper porphyry zone. In mid-August results from a further eight holes were released confirming that Casale hosted a world class gold copper porphyry deposit with the potential to contain over 15 million ounces of gold. The stock market responded immediately with Bema's share price rising from Cdn. $7.00 to over Cdn. $12.00 per share on a volume of 28 million shares in one day.

Based on the huge demand for our shares, Bema took the opportunity to raise Cdn. $88 million by issuing equity at Cdn. $11.00 per share. The issue was dramatically oversubscribed. The funds realized from this financing ensured Bema and Arizona would have the resources to fully explore the Casale discovery and placed Bema in its strongest financial position ever.

During the remainder of 1996 and into 1997 an aggressive exploration drill program has been conducted at Casale utilizing four diamond drill rigs. An additional 45 deep core holes were drilled to further evaluate the deposit's ultimate potential. On April 2, 1997, based on these drill results and over 200 previously drilled reverse circulation holes, an independent geological resource estimate was calculated indicating Casale contains a staggering 24.8 million ounces of gold and 6.4 billion pounds of copper; one of the largest gold copper deposits in the world. The deposit remains open to the south and west, and drilling is ongoing. Based on the grade of the deposit, metallurgical test work to date and the property's favourable geometry and topography, Bema's technical team believes Cerro Casale can be developed into one of the largest gold copper mines in Latin America. Mineral Resource Developments Inc., an independent mining consulting company who calculated the Casale resource and have worked with Bema throughout the Refugio development and Cerro Casale exploration, are preparing an in-depth scoping study evaluating the Cerro Casale technical data and project economics. This study is scheduled to be provided to Bema and Arizona Star in June, 1997. A further detailed independent pre-feasibility study by MRDI is scheduled for completion in September, 1997.

MARICUNGA EXPLORATION

In addition to the major discovery at Casale, Bema enjoyed significant additional exploration success in the Maricunga District of Chile. On the Aldebaran Property, drilling 8 kilometres northeast of Casale on the "Three Amigos" (Cerro Roman, Romancito and Jotabeche) intercepted good grade mineralization over significant widths indicating the potential for a large open pittable gold deposit or a series of deposits.

On Bema's 100% owned Quebrada property 11 kilometres east of Aldebaran, the Q Seca zone yielded impressive gold grades over significant intervals in several early drill holes. While it is at an early stage of exploration, Q Seca clearly has the potential to host a significant gold deposit. Drilling continues in 1997 to further define these exciting targets.

Numerous additional mineralized porphyry targets have been identified on surface within Bema's dominant land position in the Maricunga District. We believe the potential for further discoveries is strong.

VENEZUELA

Through an affiliated public company, El Callao Mining (managed and 38% owned by Bema), Bema has been exploring the Lo Increible Gold Belt in Venezuela for 4 years. The exploration drilling to date has been extremely successful outlining three substantial gold zones. In April 1997, we released a geological resource estimate containing over 2 million ounces at Lo Increible, as well as further high grade drill intercepts outside of the resource dimensions. Exploration and feasibility work are ongoing and our technical team is confident Lo Increible will become a substantial low cost gold mine.

"In addition to the major discovery at Casale, Bema enjoyed significant additional exploration success in the Maricunga District of Chile."

ACHIEVEMENTS AND OBJECTIVES

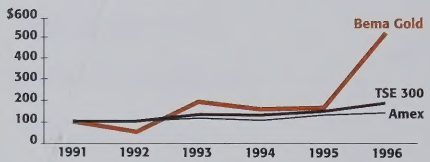
In this report to shareholders I believe it is important for me to put Bema's achievements and objectives into perspective. Although some of our accomplishments have been widely heralded, the fact is that these successes place us on the threshold of greater success and faster growth.

The commencement of commercial production at the Refugio Mine in October 1996 was the realization of a goal that had been the focus of our efforts for over nine years. We became one of the few companies to develop a project from discovery into a major gold mine. The tenacity and perseverence of many Bema employees towards this controversial project were directly responsible for it becoming a mine. We are all proud of this accomplishment and believe the lessons learned in meeting the many challenges of Refugio leave us unusually well equipped to meet the challenges that lie ahead.

During the challenging years of exploring and attempting to develop Refugio, we developed a focused strategy for growth in Chile. Obviously we believed Refugio would ultimately succeed and therefore we recognized it as an extremely prudent strategy to explore the rest of the Maricunga District for other potential gold mines. Most

of our competitors in the industry had either not yet discovered Chile, or were negative on the Maricunga District due to a high profile failed gold mine in the area.

We aggressively applied our strategy with the geological expertise gained from Refugio. Through affiliated company, Arizona Star, a 51% interest was acquired in the Aldebaran Property 30 kilometres south of Refugio. Subsequently, Bema acquired the Quebrada property to the east, and the other 49% of Aldebaran. This bold strategy combined with the innovative work of our excellent exploration team, has resulted in the Cerro Casale, Cerro Roman and Quebrada Seca discoveries. The Cerro Casale and Refugio discoveries alone bring Bema's total for ounces of gold discovered in the Maricunga District to over 35 million and counting.



Return on $100 invested in Bema Gold vs TSE300 & Amex

Our exploration success has placed Bema in the enviable position of attaining rapid production growth by turning existing discoveries into mines. The greatest challenge for gold producers is finding or acquiring sufficient new gold reserves to sustain and ultimately increase annual production. It is well demonstrated that senior gold producers have not made sufficient grass roots discoveries to maintain, let alone increase their annual production levels. This necessitates them buying more expensive resources or delineated reserves often from junior mining companies. At Bema, we believe by developing our huge gold resources we will emerge as a senior producer without the need for expensive acquisitions. The strong potential for additional future discoveries only enhances our growth potential.

Our near term growth strategy is the rapid simultaneous development of a number of mines from our existing projects. In order to implement this strategy we are considering inviting a major mining company to operate and develop the huge Casale project. This approach will allow the Bema team to focus on developing our other projects including: the Pancho deposit at Refugio with partner Amax Gold; the Q Seca and Cerro Roman discoveries; and, the Lo Increible property in Venezuela.

To this end, Bema and Arizona Star have invited major mining companies to review the Casale technical data for potential involvement in the project. Several major companies have expressed a serious interest in the project, and have conducted site visits and are at various stages of detailed due diligence and evaluation. Bema and Arizona Star intend to determine by the end of the third quarter of 1997 the most attractive alternatives to advance the Casale project to production.

FINANCIAL

Financially 1996 has brought Bema to a new level of security and opportunity. The realization of positive cash flow from Refugio provides financial stability while the Cdn. $88 million equity issue in August provides the funds to further develop our recent discoveries and represents a significant endorsement of our achievements and objectives from the mainstream investment community.

Further to the successes outlined above, I am also pleased to report on our

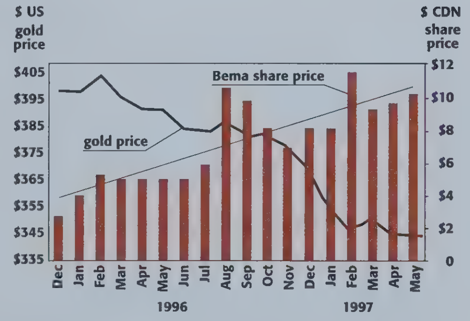
stellar performance in the stock market in 1996. In a year that saw the gold price average $388 per ounce, and the Toronto Stock Exchange 300 index rise by 25%, Bema's share price increased almost 500% from a low of $2.65 to a high of $13.05. Incredibly almost 300 million shares of Bema traded on Toronto and American Stock Exchanges in 1996. It is gratifying to see that after many years of supporting our efforts our loyal shareholders are benefitting from the Company's success. With our aggressive growth plans for the next several years, we are confident Bema will continue to out perform both the gold price and the general markets as we continue to build shareholder value.

"Our corporate culture is one of our greatest competitive advantages; we are committed to retaining it as the foundation for building shareholder value."

MANAGEMENT

A key element in Bema's success has, of course, been its management team. I am proud of the commitment and growth of this dedicated group of professionals. In order to keep pace with our dramatic growth we will continue to strengthen our management team. To this end we have recently added two new vice presidents. Carl Hering has joined us as Vice President Corporate Acquisitions and Dan Tuepah as Vice President Strategic Development. Carl will focus on pursuing both exploration and development opportunities for Bema and its junior companies while Dan will focus on the implementation of our corporate growth strategies.

I believe one of our greatest challenges as we become a larger mining company is to retain our unique corporate culture. It is our entrepreneurial flair, bold initiatives and relentless focus that have made Bema the success it is today and that will propel us into greater success in the future. Our corporate culture is one of our greatest competitive advantages; we are committed to retaining it as the foundation for building shareholder value.



Bema Share Price vs Gold Price

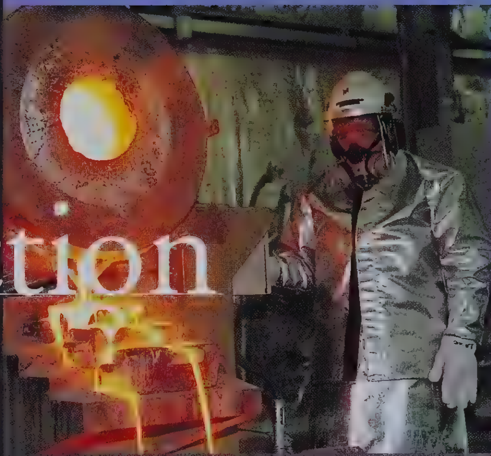
In conclusion, 1996 has been an extremely rewarding year for Bema as many of our dreams have become reality. Nine years ago a small Canadian mining company made the bold decision to take a chance on Chile and explore for gold. After many years of struggles and setbacks, time has proven that our strategy and perseverence were well founded. Today Bema is a billion dollar company that has built a major gold mine in Chile and enjoyed unparalleled exploration successes including the discovery of the world's largest new gold copper deposit.

Based on these successes and our financial strength we are clearly poised for dramatic future growth as we continue our proven strategy of turning our discoveries into mines. We look forward to 1997 with great anticipation.

On behalf of the Board of Directors, I would like to thank all Bema employees for their diligence and dedicated contributions over the past year and to express appreciation to our shareholders for their continued support.

Clive T. Johnson
Chairman, Chief Executive Officer and President
May 15, 1997

Production



With the first production from the Refugio Mine in 1996, Bema Gold Corporation emerged as a significant gold producer. The Company and its joint venture partner, Amax Gold Inc., overcame numerous challenges to open a mine at Refugio, in the arid Andean Mountains of Chile.

Traditionally, in this business sector, junior explorationists consider their missions complete if they find gold. They sell their companies or their discoveries to large production oriented companies, rather than attempt to finance and develop the projects to production themselves.

Bema, however, set goals of becoming a gold producer by developing the Refugio Mine and by continuing to discover and develop new deposits.

With more than seven months of Refugio production under its belt as of April 1997, the Company has succeeded in the first of these goals. It is also progressing rapidly on the second of these goals, continuing to make significant gold discoveries as discussed in the Advanced Exploration and Exploration sections of this Annual Report.

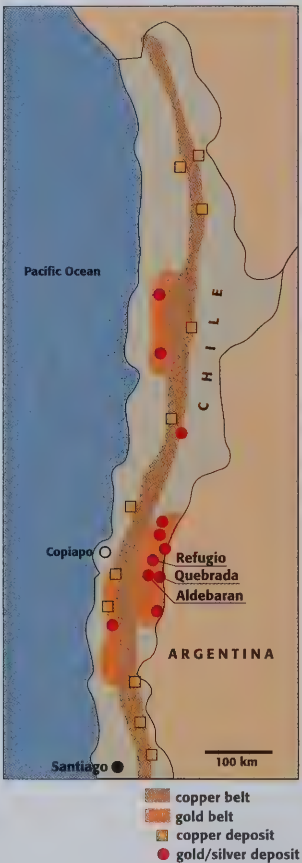
Refugio Mine, Chile **50% Bema, 50% Amax Gold**

- Large open pit heap leach gold mine.
- Commercial production begins October 1, 1996.
- Projected annual production for next 9 years: 233,000 oz. of gold.
- Projected average operating cost: less than $250 per oz.
- Geological resource: 8.6 million oz. of gold.
- Mineable reserves Verde deposit: 5.3 million oz. of gold.
- Preliminary reserves Pancho deposit: 2.1 million oz. of gold.

1997 Objectives:

- Deep drilling to increase mineable reserves at Verde.
- Further drilling to delineate reserves at Pancho.

REFUGIO MINE, MARICUNGA DISTRICT, NORTHERN CHILE



The Refugio Mine is one of the world's largest open pit, heap leach gold mines. The operator of the Refugio Mine is Compania Minera Maricunga, jointly owned by Bema (50%) and Amax Gold Inc. (50%).

In its first quarter of commercial production at the Verde deposit, which began on October 1, 1996, Refugio produced 61,222 ounces of gold at an operating cash cost of $233 an ounce, compared to a budgeted production of 56,100 ounces at an operating cash cost of $238 an ounce. Total gold production by the end of 1996 was 101,276 ounces. Refugio is projected to produce an average of 233,000 ounces of gold per year at cash operating costs of less than $250 per ounce over the next nine years.

During the first quarter of 1997, tonnage delivered to the leach pads was approximately10% below design capacity. Fine tuning of the crushers, conveyors and screens is ongoing to ensure the operation performs consistently at the design capacity of 30,000 tonnes per day.

The mine is located in the Maricunga Mining District in Northern Chile, 4,300 metres above sea level in the Atacama Desert of the Andes, 800 kilometres north of the capital city of Santiago. The property is accessed by a 3.5 hour drive on good gravel roads from the Town of Copiapo, which has a population in excess of 100,000. While winter conditions can be harsh, the mine operates year round.

The Refugio deposits were discovered by Bema in 1989 after two years of exploration on the property. To date, Bema has

Loading ore at Refugio Mine

Aerial view of Refugio Mine.

property on two deposits, the Verde deposit, now under production, and the Pancho deposit.

Ore averages approximately 1.0 gram/tonne gold and is processed with a three stage crushing and heap leach operation designed to process 30,000 tonnes of ore per day or 10.95 million tonnes per year. Carbon adsorption stripping and electrowinning are used to recover gold from the leach solutions. The electrowin concentrate is smelted into doré bars of approximately 90% gold and 9% silver for shipment.

The Refugio operation directly supports a total workforce of approximately 870, one half of whom are on site at any given time. Facilities include a permanent camp which houses 430 employees who work seven days on and seven days off in two 12 hour shifts.

Power is supplied by five 3.5 megawatt diesel generators and water is pumped from underground aquifers and piped 23 kilometres to the camp and minesite.

Dennis Stansbury, Vice President Development and Production

Primary crusher and conveyor at Refugio Mine.

The Refugio Mine has significant expansion potential. The final feasibility study identified an extended base case mineable reserve at the Verde deposit that contains an additional two million ounces of gold. Management will determine whether these additional reserves are most effectively exploited by increasing the production rate of the mine or by extending the mine's life by 8.2 years at current production rates.

In addition, drilling will begin this year to explore below the Verde deposit. If this drilling determines that the ore body continues beneath the currently defined reserve, the Verde deposit will have the potential for a significant increase in annual production.

Maintenance of overland conveyor drive system.

Aerial view of Pancho Deposit

PANCHO DEPOSIT

The Pancho deposit is two kilometres to the northwest of the Verde deposit. Based on work completed by Bema in 1991, preliminary reserves were calculated at two million ounces of gold. The deposit remains open. Initial metallurgical testing and preliminary pit design suggest the deposit is exploitable as an open pit, cyanide leach gold mine. Feasibility drilling commenced in 1997 and a feasibility study will be completed in 1998.

Discovery

Aldebaran Property, Chile 49% Bema, 51% Arizona Star

Cerro Casale Deposit:

- geological resource at April 2, 1997 :
  24.8 million oz. gold, 6.4 billion pounds copper.
- step out drilling ongoing to delineate total resource potential.

1997 Objective:

- mine pre-feasibility study.

ALDEBARAN PROPERTY, MARICUNGA DISTRICT, NORTHERN CHILE

During 1996, a world class gold copper porphyry deposit was discovered beneath the Cerro Casale oxide deposit on the Aldebaran Property, owned 49% by Bema and 51% by affiliate Arizona Star. Bema's 33% equity ownership in Arizona Star gives the Company an effective 66% interest in Aldebaran. The property is located 30 kilometres south of Refugio.

Results of two deep holes were released in June indicating a high grade breccia zone within a large, well mineralized gold copper porphyry zone. In mid August, results from a further eight holes indicate the potential for the porphyry zone to contain more than 15 million ounces of gold equivalent.

During the remainder of 1996 and into 1997 an aggressive exploration drill program has been conducted at Casale utilizing four diamond drill rigs. An additional 45 deep core holes were drilled to further evaluate the deposit's ultimate potential. On April 2, 1997, based on these drill results and over 200 previously drilled reverse circulation holes, an independent geological resource estimate was calculated indicating Casale contains 24.8 million ounces of gold and 6.4 billion pounds of copper.

The deposit remains open to the south and west, and drilling is ongoing. Based on the grade of the deposit, metallurgical test work to date and the deposit's favourable geometry and topography, management believes Cerro Casale can be developed into one of the largest gold copper mines in Latin America.

Tom Garagan, Vice President Exploration

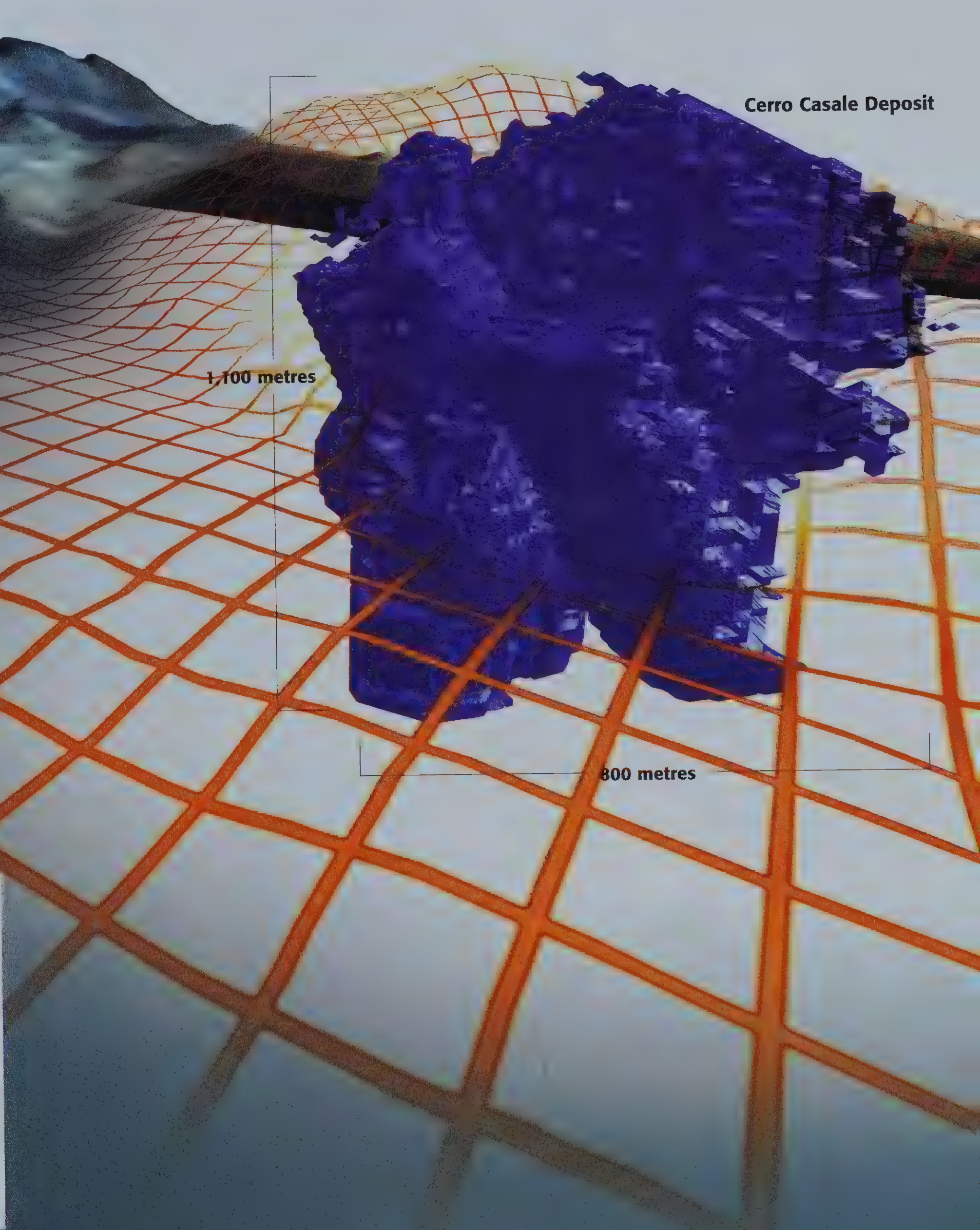
Mineral Resources Development Inc. (MRDI), the independent mining consulting company that calculated the Casale resource, is preparing an in-depth scoping study evaluating the Cerro Casale technical data and project economics. This study is scheduled to be provided to Bema and Arizona Star in mid 1997. A further detailed independent pre-feasibility study by MRDI is scheduled for completion in the fourth quarter of 1997.

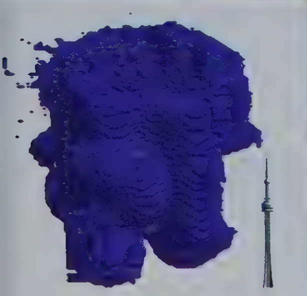
Bema and Arizona Star have invited major mining companies to review the Casale technical data for potential involvement in the project. (This approach would allow Bema to focus on developing its other projects including: the Pancho deposit at Refugio with partner Amax Gold; the Q Seca and Cerro Roman discoveries; and the Lo Increible property in Venezuela.) Several major companies have expressed a serious

Reverse circulation drilling at Cerro Casale

Cerro Casale Deposit, Preliminary Geological Resource

Case	Gold Cut Off Grade (g/t)	Tonnes (thousands)	Gold (g/t)	Copper (%)	Contained Gold (millions oz.)	Contained Copper (billions lb.)
1	0.4	1,118,000	0.69	0.26	24.8	6.4
2	0.5	810,000	0.79	0.28	20.6	5.0
3	0.6	709,000	0.82	0.28	18.7	4.4

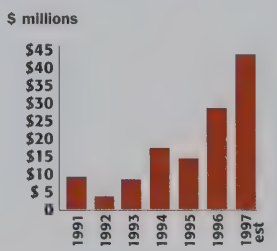




Size comparison:
Casale Deposit to CN Tower

Drilling at the top of Cerro Casale

interest in the project, have conducted site visits and are at various stages of detailed due diligence and evaluation. Bema and Arizona Star intend to determine by the end of the third quarter of 1997 the most attractive alternatives to advance the Casale project to production.



Annual exploration expenditures by the Bema Group of Companies

LO INCREIBLE PROJECT, EL CALLAO MINING DISTRICT, BOLIVAR STATE, VENEZUELA

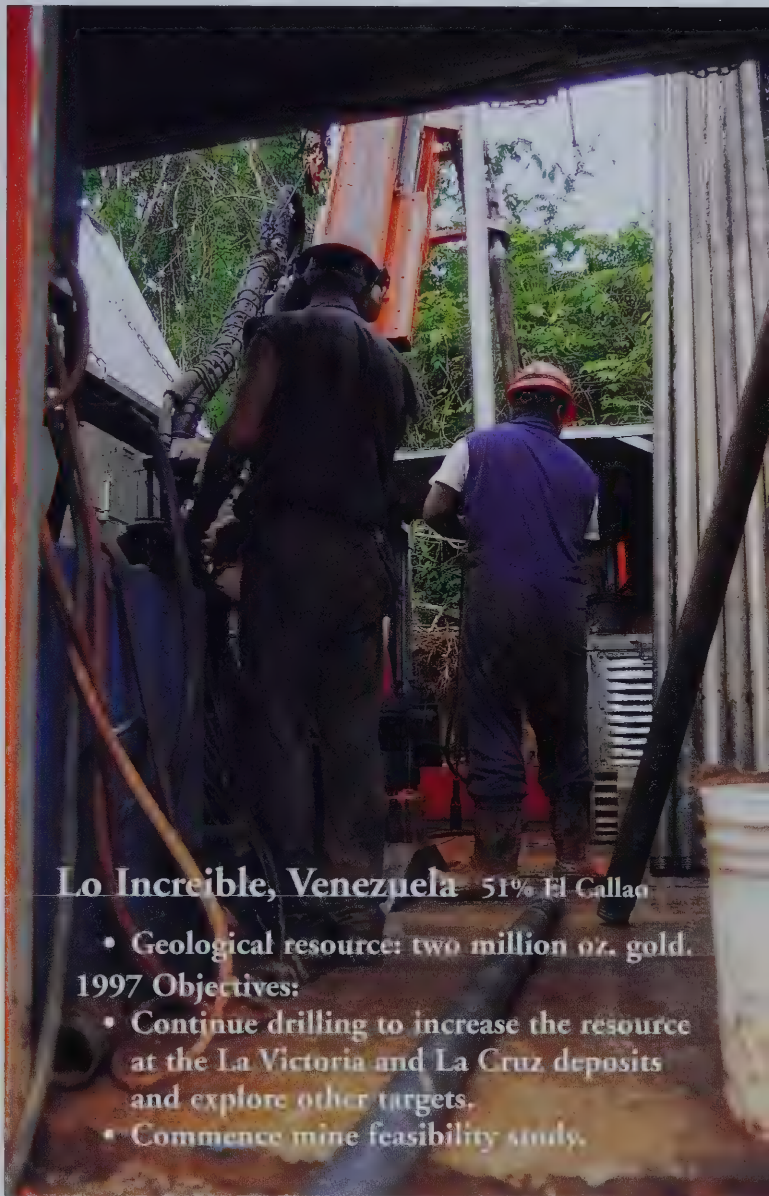
Bema's affiliate company, El Callao Mining Corp. (38% owned by Bema) announced in April 1997 that successful exploration drilling on the property's La Victoria and La Cruz gold deposits resulted in an increase of the geological resource to two million ounces of gold.

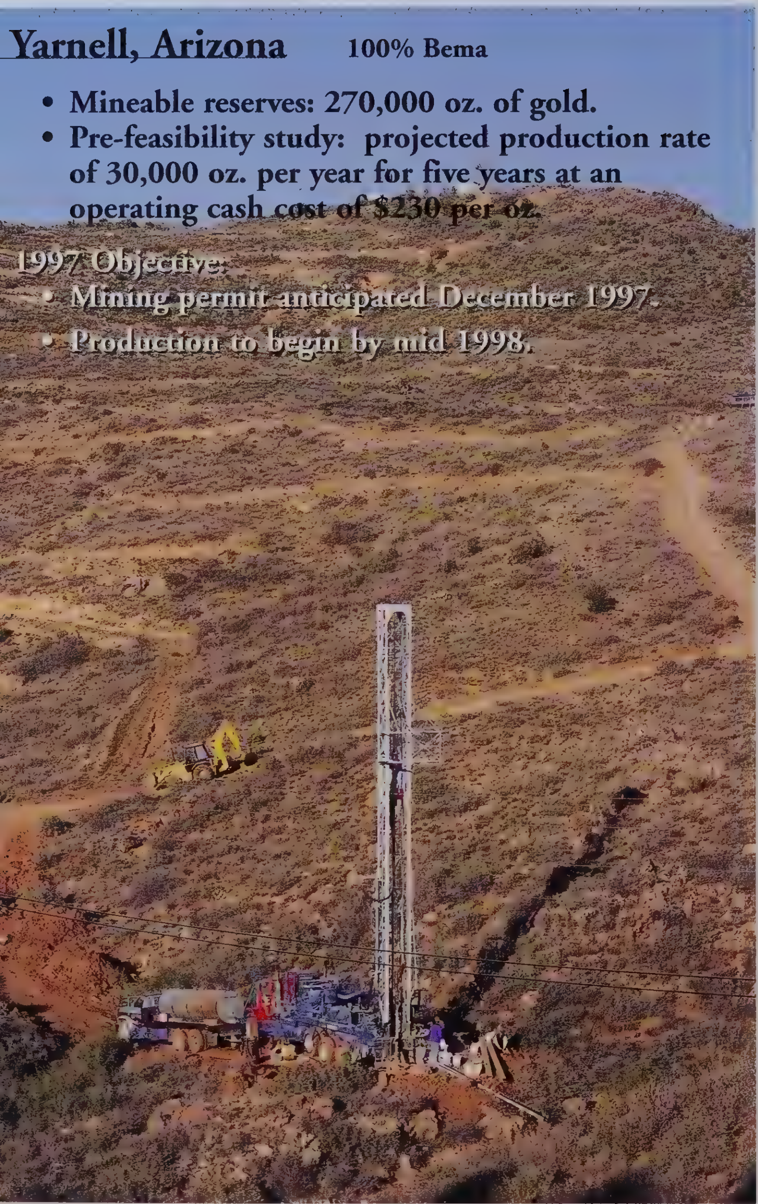
Calculations from La Victoria are based on 70 drill holes over a strike length of 900 metres and 350 metres in depth. La Cruz calculations are based on 33 drill holes along a strike length of 550 metres and up to 300 metres in depth. The previous resource estimation of 835,000 ounces of gold was released in mid 1995.

Adjacent to La Cruz, drilling has indicated that the 1,000 metre long Tibaire zone is an extension of the same geological structure as La Cruz. This could allow for the discovery of more zones similar to La Cruz.

Bema's strong financial position will enable El Callao to further drill and explore along the 7.5 kilometre gold belt on the property that has 85 historic workings and former mines. The Lo Increible gold belt compares favourably with the Timmins gold belt in northern Ontario, Canada, which hosts a number of successful gold mines that have been producing for more than half a century.

Interim production began in mid 1996 at a planned rate of approximately 10,000 tonnes per month with anticipated production of approximately 26,000 ounces of gold per year. Management's intention was to finance exploration on the property with revenue from this small scale production.



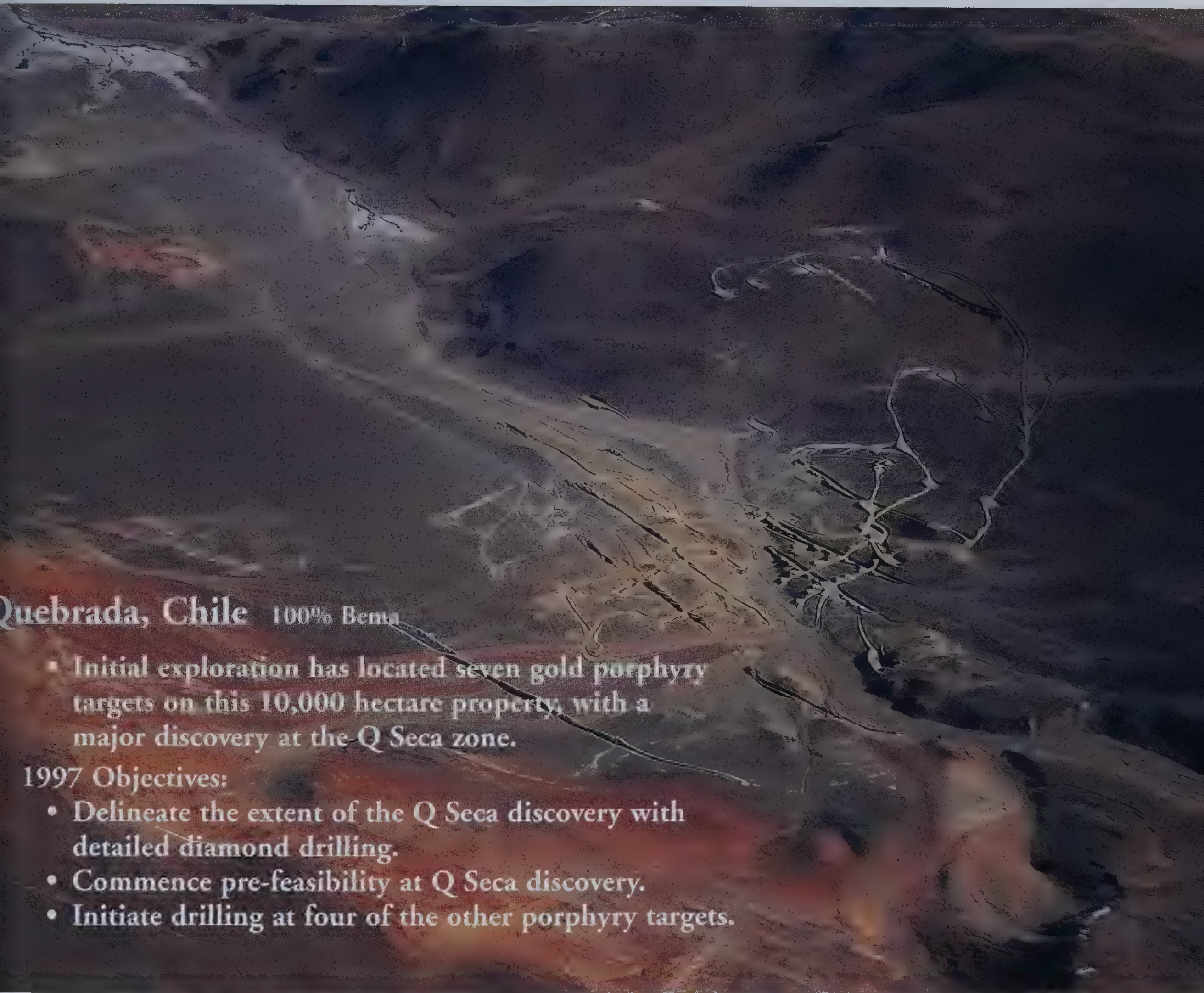


The processing and refining operation was contracted out to another company, however, production was halted after problems were encountered with the processing contractor. Production will not resume until a full scale mine is developed by the Company, in which case a processing facility will be built on site.

YARNELL PROPERTY, ARIZONA, USA

At Yarnell, Arizona, located 120 kilometres northwest of Phoenix, the Company has been waiting for more than a year for final permitting for a mine that would produce approximately 30,000 ounces of gold per year at an average operating cost of $230 per oz. The property is owned 100% by Bema.

Mineable reserves are approximately 270,000 ounces of gold. The Company has been monitoring the public consultation and environmental approval process. The final permits are anticipated in late 1997 with production expected to begin in mid 1998. Capital cost of the mine will be approximately $6.5 million.



Quebrada, Chile 100% Bema

- Initial exploration has located seven gold porphyry targets on this 10,000 hectare property, with a major discovery at the Q Seca zone.

1997 Objectives:

- Delineate the extent of the Q Seca discovery with detailed diamond drilling.
- Commence pre-feasibility at Q Seca discovery.
- Initiate drilling at four of the other porphyry targets.

QUEBRADA PROPERTY, MARICUNGA DISTRICT, NORTHERN CHILE

Bema announced a major gold discovery in February 1997 at its 100% owned Quebrada Property, 11 kilometres east of the Aldebaran Property. At the property's Q Seca zone, drilling, trenching and a geophysical survey indicate the presence of a large mineralized porphyry gold system cut by a wide zone of higher grade sheeted veins. These results have prompted an aggressive diamond drilling program for 1997.

Aldebaran, Chile

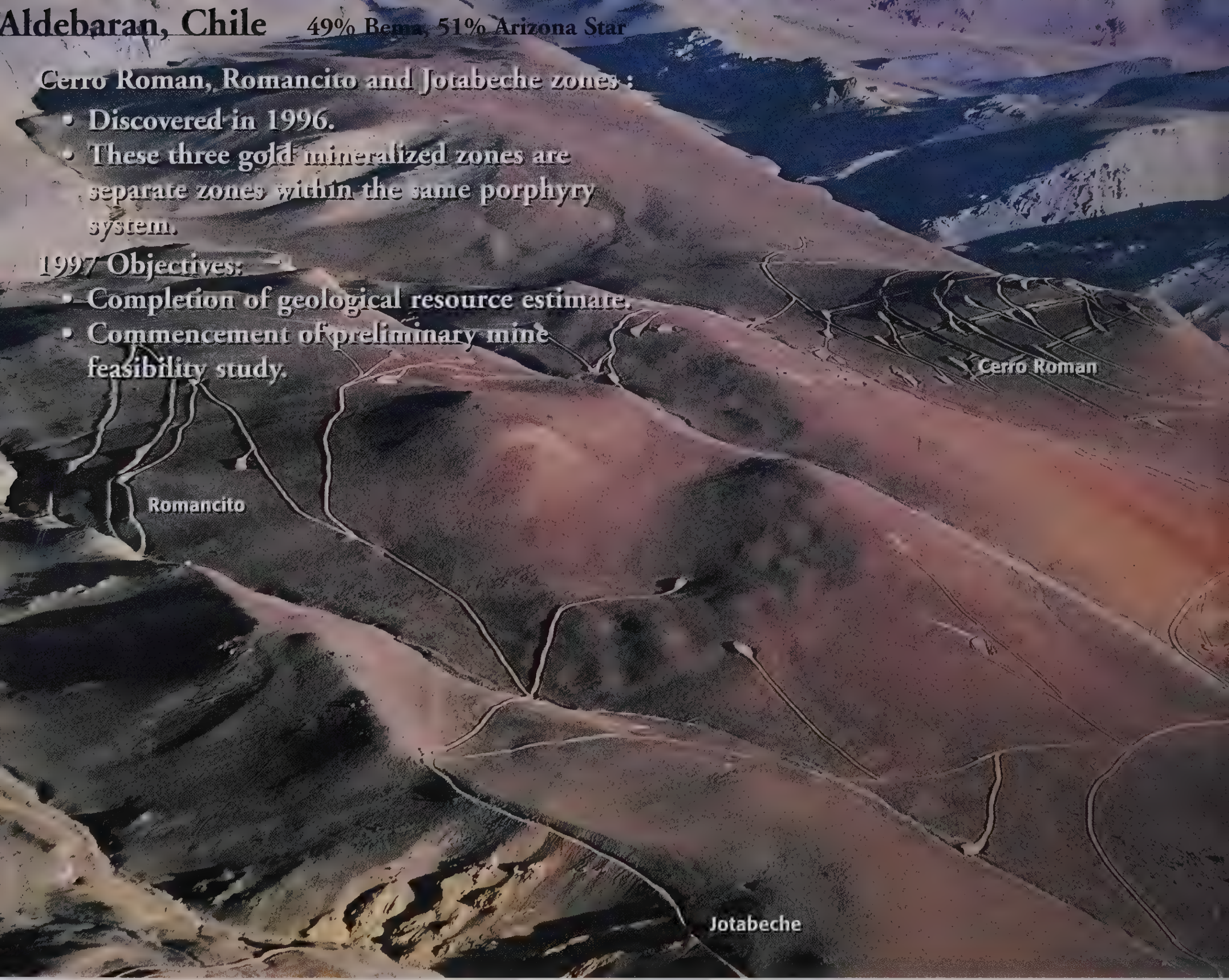
49% Bema, 51% Arizona Star

Cerro Roman, Romancito and Jotabeche zones :

- Discovered in 1996.
- These three gold mineralized zones are separate zones within the same porphyry system.

1997 Objectives:

- Completion of geological resource estimate.
- Commencement of preliminary mine feasibility study.



ALDEBARAN PROPERTY, MARICUNGA DISTRICT, NORTHERN CHILE

In addition to the Cerro Casale deposit, exploration of which was described in the previous section of this Annual Report, the Aldebaran Property contains the Cerro Roman, Romancito and Jotabeche zones ("The Three Amigos"). Aldebaran is jointly owned by Bema (49%) and Arizona Star Resource Corp. (51%). Bema's 33% equity ownership in Arizona Star gives the Company an effective 66% interest in Aldebaran. The property is located 30 kilometres south of Bema's Refugio Mine.

The Cerro Roman, Romancito and Jotabeche zones are located eight kilometres north of Cerro Casale. Drilling is under way to explore these porphyry gold zones that were discovered in 1996. Management's goal for 1997 is to complete a geological resource estimate and to commence a preliminary mine feasibility study.

The Aldebaran property also contains the Eva, Estrella and Anfiteatro zones, where preliminary drilling has yielded promising results. Each of these zones will be drilled to further define their mineralization.

EL TORNO PROJECT, JUJUY PROVINCE, ARGENTINA

El Torno, Argentina **100% Puma Minerals Corp.**

- **Exploration ongoing for large gold deposits.**

1997 Objective:

- **Begin drilling at the first of several properties.**

Based on disappointing drilling results, Puma Minerals Corp. (33% owned by Bema) decided in October to drop its option to earn a 50% interest in the Uspallata Project in Argentina and to refocus its efforts on other properties. Puma has acquired the right to earn a 100% interest in a group of three properties at El Torno in the northern Argentina Province of Jujuy, south of the Bolivian border. From encouraging initial surface sampling and trench results, Puma has decided to begin drilling the first of these properties in mid 1997.

Puma is also engaged in a reconnaissance and land acquisition program in central Argentina, searching for properties that have geological characteristics similar to the Maricunga District in Chile.

MATAWIN GOLD BELT, ONTARIO, CANADA

Matawin, Canada **50% Consolidated Westview Resource Corporation**

- **Exploration in the recently discovered Matawin gold belt.**

1997 Objective:

- **Begin drilling at the first of several targets.**

In late 1996, Consolidated Westview Resource (27% owned by Bema) entered into an option agreement with Avalon Ventures Ltd. to earn up to 60% interest in a property in the Matawin gold belt in northern Ontario. Drilling has begun and will continue throughout 1997. In addition, Westview is looking for exploration opportunities in Canada and other countries.

Sandwiched in a narrow strip between the Pacific Ocean and the Andes, Chile stretches 4,300 km down the west coast of South America. In the north lies the Atacama Desert, the driest place on earth. In the south are the temperate steppes of Patagonia, extending to the Strait of Magellan, where the Atlantic and Pacific oceans meet.

The country is endowed with some of the richest mineral deposits on earth. It is the world's largest copper producer and has one quarter of known world copper reserves.

Political stability and economic recovery were enhanced with the return to civilian rule in 1990 and the election of President Eduardo Frei in 1994. Sound economic policies have pushed inflation down from 27% in 1990 to an anticipated 6% in 1997, and GDP has grown steadily at nearly 6% a year. Unemployment has dropped from a quarter of the labour force during the recession of the 1980's to around 5.5%.

Today, Chile is widely considered to have the most open, stable and liberalized economy in Latin America. The private sector is regarded as the engine for growth. The government provides a flexible and fair regulatory framework in which businesses are able to operate profitably and efficiently, while continuing to contribute to the country's growing prosperity.

Bema was one of the first foreign junior gold exploration companies to recognize Chile's potential when the Company began activity here in 1989. Through the early 1990's, many foreign companies

reacted to Chile's combination of positive political and economic factors and invested billions of dollars in the country. Private mining companies have created an estimated 220,000 new jobs in the past decade, and 19% of world investment in the mining sector is currently in Chile, according to the Chilean Mining Society (Sonami). The Chilean consulting firm, Gemines, reports that the mining sector contributed 41% of total tax revenue in 1996, up from 23% in 1991.

Chilean Copper Commission figures show that last year alone, foreign investment in mining totalled $886.6 million, and is expected to reach $1.3 billion in 1997. New investment in mining is forecast to reach $9 billion by the year 2000, of which $5 billion will come from the private sector and $4 billion from the state. In 1996, the value of mining exports was $7.36 billion and is forecast to reach $7.79 billion this year. Chilean Central Bank figures show that copper dominates the sector, accounting for 82.2% of 1996 exports.

Refugio Mine Opening:
from left:
Scott Shellhaas,
President, Amax Gold
Benjamin Teplizky,
Minister of Mining, Chile
Clive Johnson
Chairman, CEO & President
Bema Gold
Eduardo Morales,
Intendente of the Third Region

The enthusiastic participation of Canada's private sector in Chile is supported by close official ties between the two countries. In 1996, a mutually beneficial Free Trade Agreement was signed covering trade in goods and services, investment and dispute settlement mechanisms. In 1998, Chile may be included in an expanded North American Free Trade Agreement (NAFTA) along with Canada, the U.S. and Mexico, further strengthening the country's reputation as the economic powerhouse of Latin America.

Senior Management Team
Standing, from left,
Clive Johnson,
Chairman, CEO & President
Tom Garagan,
Vice President Exploration
Dan Tuepah,
Vice President Strategic Development
Mark Corra,
Vice President Finance
Carl Hering,
Vice President Corporate Acquisitions

Seated, from left;
Dennis Stansbury,
Vice President Development and Production
Roger Richer,
Corporate Secretary & General Counsel
Vice President Administration

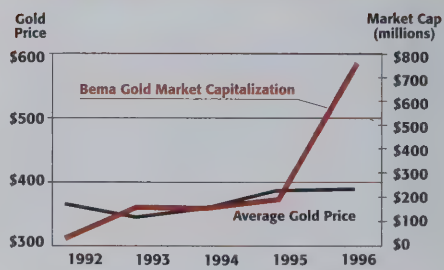
One of the Company's greatest challenges is to retain its entrepreneurial corporate culture while a growing senior management team directs an increasing number of projects.

The Company's objectives include:

To guide a succession of existing properties from exploration to development to production, and;

To continue to discover major gold deposits, and develop them to production, and;

To acquire properties which are in production or can be developed rapidly into gold mines.



COMMON SHARE INFORMATION

The common shares of the Company are listed for trading in Canada on The Toronto Stock Exchange and the Vancouver Stock Exchange and in the United States on the American Stock Exchange under the symbol "BGO".

The following table sets forth, for the periods indicated, the high and low sales prices and trading volume of the Company's common shares, as reported by The Toronto Stock Exchange and the American Stock Exchange respectively.

1996	TORONTO STOCK EXCHANGE ($CDN)		
	High	*Low*	*Volume*
1st Quarter	$ 5.50	$2.65	32,771,136
2nd Quarter	$ 6.25	$4.55	32,252,507
3rd Quarter	$13.05	$4.80	102,184,391
4th Quarter	$10.20	$6.05	41,434,739

1996	AMERICAN STOCK EXCHANGE (US$)		
	High	*Low*	*Volume*
1st Quarter	$4.06	$2.00	24,735,700
2nd Quarter	$4.56	$3.31	21,572,300
3rd Quarter	$9.50	$3.50	29,203,600
4th Quarter	$7.50	$4.50	14,964,100

ARIZONA STAR RESOURCE CORP.

Bema owns 33%. Arizona Star owns 51% of the Aldebaran Gold Property in Chile. Bema owns the remaining 49% giving it an effective 66% ownership of the property. Bema manages the company's affairs. Arizona Star is listed on the Vancouver Stock Exchange.

PUMA MINERALS CORP.

Bema owns 33% and manages the company's affairs. Puma owns 100% of the El Torno property in Argentina. The company is listed on the Vancouver Stock Exchange. (Please refer to Exploration section of this Annual Report.)

EL CALLAO MINING CORP.

Bema owns 38%. El Callao has the right to earn up to 70% of the Lo Increible property in Venezuela. The company is listed on the Vancouver Stock Exchange. (Please refer to Advanced Exploration section of this Annual Report.)

VICTORIA RESOURCE CORP.

Bema owns 53%. The company is currently reviewing properties for acquisition. It is listed on the Vancouver Stock Exchange.

CONSOLIDATED WESTVIEW RESOURCE CORP.

Bema owns 27%. The company is exploring in northern Ontario. It is listed on the Vancouver Stock Exchange. (Please refer to Exploration section of this Annual Report.)

Bema recognizes that mining activity impacts the natural and human environment as well as the economic environment. The Company's fundamental policy is to achieve sustainable development by balancing economic growth with the maintenance of a safe and healthy environment.

EXCELLENCE IN RECLAMATION - HARD ROCK MINES OVER 75 ACRES (1995)

On November 12, 1996, Bema received the "1995 Excellence in Reclamation Award" for hard rock mines over 75 acres in size for the reclamation of its former Champagne mine site at Arco, Idaho.

Bema worked closely with state and federal agencies and met State of Idaho water quality standards throughout mining operations. The Champagne Mine was the first significant heap leach operation in Idaho to meet the State water quality standards for effluent from a rinsed leach pad, and is the first major gold property in the State of Idaho to be completely reclaimed.

The award came from the Idaho Interagency Reclamation Awards Committee, which consists of personnel from various state and federal agencies, including the Idaho Department of State Lands, U.S. Forest Service, Bureau of Land Management, Department of Health and Welfare (DEQ), Department of Water Resources and Department of Fish and Game.

Bema successfully operated the Champagne Mine, an open pit, heap leach gold and silver mine, from 1989 to 1993. The mine produced over 67,000 ounces of gold equivalent during this period. Mining ceased at Champagne in February 1993, as planned, when ore reserves were exhausted. The mining and related facilities caused approximately 137 acres of surface disturbance. Reclamation activities were completed by the fall of 1995 and consisted of washing contaminants from the leach pile, recontouring the leach piles, waste dumps, ponds and roads, covering them with previously stockpiled top soil, and reseeding with plant species native to the area.

Management's Discussion and Analysis

The following discussion of the operating results and financial position of the Company for each of the years in the three-year period ended December 31, 1996 should be read in conjunction with the Consolidated Financial Statements and related Notes. Material differences in accounting principles generally accepted in Canada and in the United States are disclosed in Note 18 of the Notes to the Consolidated Financial Statements.

Due to the increasing international focus of the Company's operations, the United States dollar has become the principal currency of the Company's business. Accordingly, effective January 1, 1996, the United States dollar was adopted as the Company's currency of measurement and as its reporting currency. All of the prior years' comparative figures have been restated in United States dollars.

RESULTS OF OPERATIONS

The Company's loss for the year ended December 31, 1996 was $2.7 million or $0.05 per share compared to a loss of $3.1 million or $0.08 per share in 1995 and a loss of $2.3 million or $0.05 per share in 1994. The loss in 1996 is primarily attributable to the Company's $2.3 million equity share of an associated company's write-off of deferred acquisition and exploration costs incurred on the Uspallata property in Argentina. The 1995 loss reflects a write-down of the Buffalo Gulch property in the United States in the amount of $1 million and a write-off of two exploration properties in South America totalling $850,000. The 1994 loss was due primarily to the $3.7 million write-off of the Harrison Property located in British Columbia, offset by foreign exchange gains of $1.5 million. The loss for 1995 and 1994 have been restated to reflect the new Canadian accounting requirements related to the presentation of convertible debt instruments whereby convertible debentures are required to be split between their long-term debt and equity components. Interest expense related to the equity component of the convertible debentures is reflected as a charge to deficit whereas financing costs are reflected as a reduction in the carrying amount of the convertible debentures. The net effect of this change in accounting treatment was a reduction to the Company's loss for 1995 and 1994 of $826,000 and $239,000, respectively.

MINE OPERATIONS

The Company's 50% owned Refugio Mine, which is operated by Compania Minera Maricunga ("CMM"), attained commercial production on October 1, 1996 generating revenue of $10.8 million for the three months ending December 31, 1996, including hedging gains of $206,000, from the sale of 28,266 ounces of gold at an average realized price of $382/oz. The Company's share of the Refugio Mine's aggregate gold production in 1996 was 50,638 ounces of which 30,611 ounces were produced after the commencement of commercial production. Since the Champagne Mine closure in 1993, the Company had not generated any revenue from gold production prior to 1996.

In order to manage its exposure to fluctuations in the market price of gold, the Company uses derivative financial instruments including forward contracts and options which are intended to reduce or eliminate the risk of falling prices on the Company's financial operating results. The Company's hedging program involves purchasing mainly put options to protect against gold prices below $380 per ounce. This program allows the Company to realize higher revenues when spot gold is trading above $380 per ounce as put options are exercised only when the gold spot price is below the option strike price.

In conjunction with the Refugio Mine gold loan agreement, the Company is required to hedge enough production to cover its 50% share of projected operating and capital costs at the Refugio Mine for a two and one-half year period on an on-going basis.

Operating cash cost for the Refugio Mine averaged $233 per ounce from the commencement of commercial production on October 1, 1996 to year-end. Operating cash cost is calculated by dividing the mine's mining, processing, administrative, refining and selling costs less any silver credits, by the total ounces produced. Total cash cost, which consists of operating cash cost plus royalties was $245 per ounce for the same period. The Company's non-cash cost during this period was $65 per ounce which relates to the mine's depreciation and depletion charges.

Mechanical problems with the secondary and tertiary crushers were encountered at the Refugio Mine during the start-up period in April and May. In addition in June 1996, improper earth compaction beneath the fine crusher building, which caused the adjacent fine ore bin to lift off its supports, also disrupted fine ore crushing. Fluor Daniel (Chile) S.A., the company that built the mine installations under a guaranteed fixed price contract, resolved the crusher problems and corrected the improper earth compaction by the middle of August. Since then the plant has periodically achieved or exceeded design throughput of 30,000 tonnes per day. Minor belt and screen adjustments are being made to optimize the crusher throughput and achieve the 30,000 tonnes per day throughput consistently.

DEPRECIATION AND DEPLETION

The increase in depreciation and depletion in 1996 relates to the commencement of commercial production at the Refugio Mine. The Company's depreciation and depletion expense at the Refugio Mine is calculated on a units of production basis using proven, probable and possible recoverable gold reserves of 1.65 million ounces, being the Company's share. Depreciation in 1995 and 1994 related mainly to office furniture and equipment.

MINE ROYALTY AND RECLAMATION

The Company, through CMM, paid or accrued $378,000 in mine royalties in 1996. The royalty is calculated as a percentage of the net smelter return, which ranges from 2% if gold averages below $340 per ounce during the quarter to a maximum of 5% if gold averages above $470 per ounce, based on the Company's share of CMM gold production and capped at 37,000 ounces of gold. Mine royalty expense in 1995 and 1994 was nil as the Company had no producing mines.

The Company has not recorded a provision in 1996 for future reclamation work as CMM management currently estimates that after the cessation of mining operations at the Refugio Mine, the recovery of gold during rinsing of the heap leach pads will finance a large part of the reclamation costs. Any additional reclamation costs that may be required after the rinsing of the heaps is expected to be offset by proceeds from the sale of mine assets at the time of mine closure. Management will, on a continual basis, review its estimate of reclamation costs annually and make any required adjustments, if necessary. Reclamation costs incurred in 1995 and 1994 related to the Champagne Mine in Idaho which closed in 1993. In 1996 the Company was presented with an award by a committee consisting of various Idaho state and federal agencies for having exceeded the State of Idaho water quality standards throughout mining operations. Reclamation work by the Company at the Champagne Mine has demonstrated the Company's commitment to environmental protection. On-going water quality monitoring at the Champagne Mine will continue until the year 2000 at which time all reclamation work will be completed.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased by $970,000 in 1996 from 1995 and by $660,000 in 1995 from 1994. The increase in 1996 included $540,000 related to staff increases necessitated by the increased administrative workload resulting from expanded exploration and development projects in South America, as well as bonuses paid to management. Exploration successes such as the Cerro Casale Deposit on the Aldebaran property in Chile and the Company's desire to 'fast track' the development of its commercial ore bodies has resulted in larger staffing

requirements than in prior years. Travel costs increased by $190,000 as a result of increased international activity by the Company and $175,000 was expended with respect to financial advisory services agreements entered into during the year. The 1995 increase over 1994 was due mainly to an accrual of a Cdn. $500,000 bonus that was paid in 1996 to the Company's Chief Executive Officer for his leadership in the successful financing and development of the Refugio Mine.

INTEREST ON LONG-TERM DEBT

Long-term debt interest expense in 1996 increased by $700,000 from 1995 as interest expense on the Refugio Mine gold loan was capitalized to Refugio Mine development costs prior to the commencement of commercial production on October 1, 1996. As a result of the adoption of the new Canadian accounting treatment of convertible debt instruments, long-term debt interest expense in 1995 and 1994 has been restated whereby only the interest expense relating to the liability component of the convertible debentures is charged to operations resulting in $740,000 less in interest expense being charged to operations in 1995 and $170,000 less in 1994.

INTEREST AND OTHER INCOME

Interest and other income in 1996 remained relatively unchanged from 1995 at $1.3 million as higher average cash balances in 1996 were more than offset by lower interest rates. The Company places its cash and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings. In 1994, prior to the adoption of the US dollar as the Company's currency of measurement and as the reporting currency, the Company recorded an unrealized foreign exchange gain of $1.6 million as a result of holding an average of $30 million in United States dollars (from the proceeds of the $33 million convertible debentures received October 1, 1994), in a period in which the Canadian dollar declined relative to the US dollar.

INVESTMENT GAINS

In 1996, investment gains of $1.5 million were primarily the result of the Company selling shares that it owned in associated companies whereas in both 1995 and 1994 investment gains consisted mainly of book gains of $498,000 and $1.4 million, respectively, calculated on the Company's share of El Callao Mining's net worth. El Callao Mining's net worth per share increased because the price of common shares issued by El Callao Mining during the year was above their per share book value.

PROPERTY WRITE-DOWNS

In 1996, the Company optioned the Buffalo Gulch and Friday properties in Idaho to Idaho Consolidated Metals Corporation in return for a net smelter royalty that is capped at $3 million. In 1995, the carrying cost of the Buffalo Gulch property was written-down by $1 million and two South American properties, the Anita property in Chile and the Antofalla property in Argentina were abandoned, resulting in a further write-down totalling $850,000. In 1994 the Company wrote-off $3.7 million in deferred exploration expenditures with respect to the Harrison property in British Columbia.

SHARE IN LOSSES OF INVESTEES

As a result of the Company's equity investment in Puma Minerals Corp. ("Puma Minerals"), the Company incurred a $2.3 million equity loss in 1996 due to Puma Mineral's write-off of the Uspallata property in Argentina.

LIQUIDITY AND CAPITAL RESOURCES

At the end of 1996, the Company was in the strongest financial position in its history with consolidated cash and short-term investments of $68 million and working capital of $47.5 million. In 1995 and 1994, consolidated cash and short-term investments were $30.5 million and $33.2 million, respectively. Working capital was $13.5 million in 1995 and $29.8 million in 1994. Of the total cash and short-term investments of $68 million at the end of 1996, $17.3 million (1995 - $17.3 million) is being held in escrow

as part of the gold loan guarantee until completion of the Refugio Mine operating test period. Amax Gold Inc. funded $10 million of the cash held in escrow by way of a loan to Bema Gold (Bermuda) Ltd. on the draw down date. In 1995, $2.4 million was also held in escrow to cover the 1996 interest payments on the $33 million convertible debentures, which interest was subsequently paid.

OPERATING ACTIVITIES

Cash from operating activities totalled $1.9 million in 1996 mainly due to cash generated by the Refugio Mine during the final quarter of 1996. Operating activities required funding of $1.6 million in 1995 (1994 - $374,000) as interest income earned for the year was not sufficient to cover the Company's general and administrative expenses.

FINANCING ACTIVITIES

Cash from financing activities in 1996 totalled $78.9 million (1995- $66.5 million) and included share issuances from public offerings in May and September netting $71.0 million (August 1995- $7.5 million), exercise of warrants for $4.8 million (1995 - $3.3 million), exercise of stock options for $2.9 million (1995- $513,000) and $10.3 million of the $33 million principal amount of convertible debentures being converted to common shares. The Company has the right, after September 30, 1997, to force redemption or conversion of all outstanding convertible debentures at a conversion price of $2.05 per share and currently intends to do so. As a result of the longer than expected start-up period at the Refugio Mine, Amax Gold funded $2 million of the Company's 50% share of CMM's additional cash requirements during this period by way of a loan to Bema Gold (Bermuda) Ltd. On February 14, 1995, CMM drew down an $85 million Refugio Mine gold loan, of which the Company's 50% share amounted to $42.5 million. The gold loan was based on a gold price of $380 per ounce for a total borrowing of 223,684 ounces. On December 31, 1996, CMM made the first of ten semi-annual gold loan payments of which the Company's portion was $4.25 million.

In 1994 cash from financing activities totalled $41.3 million with $33 million coming from a convertible debenture financing. Share issuances included $10.1 million by way of a Bema Gold private placement, while shares issued by El Callao Mining accounted for a further $5.9 million. All convertible debentures outstanding at January 1, 1994, totalling $4.7 million, were converted or redeemed in 1994. Deferred financing costs incurred with respect to the Refugio Mine gold loan amounted to $3.0 million in 1994.

INVESTING ACTIVITIES

In 1996, $14.2 million was expended on the Refugio Mine of which a significant portion related to an unanticipated delay in achieving commercial production due to construction and mechanical problems encountered with the fine crush facility. Other costs incurred at the Refugio Mine include pre-operating start-up costs, amortized financing costs and gold loan interest all of which were capitalized prior to the mine achieving commercial production. The Company also expended $9.1 million on acquisition and exploration of the Aldebaran property in Chile of which $5.4 million was on the oxide feasibility study and deep drilling at the Cerro Casale deposit and $3.7 million, in the form of 907,441 Bema Gold shares at a deemed price of $4.077 per share, was for the final option payment to acquire a 49% interest in Compania Minera Aldebaran ("CMA"), the joint venture company that owns and operates the Aldebaran property. In addition $1.5 million was spent on the Yeguas Heladas property in Chile of which $980,000 was for the Company's 49% share of the final option payment to acquire the property. The Yeguas Heladas Property is adjacent to the Aldebaran Property and is where the Cerro Roman, Romancito and Jotabeche gold zones are located. Furthermore, $1.6 million was incurred on permitting and development of the Yarnell property in Arizona.

In 1995, $56 million related to the Company's share of developing and constructing the Refugio Mine and $10.3 million was spent on other exploration properties for option payments and exploration and

development costs, including $1.7 million on the Aldebaran property, $3.5 million on the Uspallata property and $2.7 million on the Lo Increible property in Venezuela.

In order to finance its publicly traded associated companies, Bema Gold may at times either exercise share purchase warrants or sell free trading shares it holds in these companies, mainly through brokers to institutional investors, and then use the sale proceeds to take down private placement units in associated companies. Each unit typically consists of a share and a half share purchase warrant and the units have a one year hold period unless qualified for resale by a prospectus. This method of financing was employed in 1996 as the Company made investment purchases of $20 million of which $14.1 million was for the purchase of 3.4 million Arizona Star shares and $5.3 million was used to purchase 5.8 million El Callao Mining shares. The purchases were partially financed through the sale of 1.8 million Arizona Star shares, 3.5 million El Callao Mining shares and 3 million Puma Minerals shares for aggregate net proceeds of $5.7 million.

In 1995 the Company's investment purchases totalled $5.7 million of which $3.5 million was invested in Arizona Star and $2.2 million in El Callao Mining through a combination of private placements and the exercise of share purchase warrants. In order to finance these purchases the Company sold 2.1 million shares of Arizona Star, 4.1 million shares of Puma Minerals and 3.8 million shares of El Callao Mining for aggregate net proceeds of $5.6 million.

Investing activities in 1994 were $14.4 million. Of this amount, $1.6 million related to Refugio Mine development, $9.5 million related to expenditures on the Lo Increible property and $2.5 million was used to purchase 6.4 million shares in Arizona Star. The sale of 3 million shares of El Callao Mining resulted in net proceeds of $2.4 million which were reinvested in El Callao Mining by way of a private placement for 3.65 million units at Cdn.$1.10 per unit.

ACQUISITION

On June 22, 1995 the Company acquired an option from Minera Anglo-American Chile Ltda. to acquire a 49% indirect interest in the Aldebaran property in Chile on which the Cerro Casale Deposit is located for payments totalling $4.0 million, payable in cash or shares. Of this amount, $300,000 was paid on signing of the agreement of which $50,000 was paid in cash and the balance in shares at a deemed price of $2.12 per share. The balance of $3.7 million was payable by June 22, 1996. The Company is also required to fund 49% of all exploration and development expenditures on the property. On June 21, 1996, the Company completed the acquisition of the 49% interest in the Aldebaran property by issuing 907,441 shares at a deemed price of $4.077 per share.

OUTLOOK

Under the present mine development plan, the Refugio Mine is projected to produce 252,000 ounces of gold in 1997 at an average operating cash cost of $231 per ounce based on a mining rate of 31,000 tonnes of ore per day. At this rate, the mine would have a remaining life of over eight and a half years. The feasibility study of the Refugio Mine had also outlined an extended base case mine plan that would extend mining at the Verde Deposit from the original estimate of 9.4 years to 17.2 years. Bema Gold and joint venture partner, Amax Gold, are committed to expanding production at the Refugio Mine. To this end a feasibility drill program commenced in mid 1997 on the Pancho deposit where previous drilling has outlined a near surface resource of 2 million ounces. In addition, deep drilling is planned to further test the potential to expand the Verde Deposit. The Pancho Deposit and the possible expansion of the Verde Deposit to depth offer excellent potential to substantially increase the Refugio Mine's reserves and annual gold production.

In exploration, the main focus of the Company has been to define the Cerro Casale discovery on the Aldebaran Property (51% Arizona Star/49% Bema Gold). An independent preliminary geological

resource prepared by Mineral Resources Development Inc. ("MRDI") estimated an in situ resource of over 24.8 million ounces of gold and 6.4 billion pounds of copper based on the results from 45 deep diamond drill holes and over 200 reverse circulation drill holes. The deposit remains open to the south, west and at depth. Based on the grade of the deposit, initial metallurgical tests, financial analyses and other technical data, management believes that the Cerro Casale Deposit will be a world class open pit gold copper mine. MRDI is currently preparing an in depth scoping study evaluating the Cerro Casale technical data and project economics. The study is scheduled to be provided to Bema Gold and Arizona Star in June 1997. A further detailed independent pre-feasibility study by MRDI is scheduled for completion in September 1997. Management is currently evaluating the various alternatives at putting the Cerro Casale Deposit into production which may involve a joint venture partner with the necessary technical experience and financial capability to advance the Cerro Casale Deposit to production.

The Aldebaran Property also hosts several other exploration targets including "The Three Amigos" (Cerro Roman, Romancito and Jotabeche) located approximately 8 kilometres northeast of the Cerro Casale Deposit. Initial drill results received in December indicated good grade oxide mineralization over significant widths indicating the potential for a large open pittable gold deposit or a series of deposits. Further drilling will be undertaken on these targets in 1997 to test their ultimate potential.

Over the past two years the Company has acquired additional exploration rights to approximately 10,000 hectares in Chile's Maricunga district, known as the Quebrada property. The Quebrada property lies eleven kilometres east of the Aldebaran property and is known to host at least seven gold porphyry targets. Initial drill results received from the first porphyry, known as Q. Seca, contained significant high grade gold intercepts indicating the potential for a significant gold deposit.

Q. Seca will be further drilled along with a number of the additional porphyry targets on the Quebrada Property in 1997.

The Company is currently in the process of acquiring permits for construction at the Yarnell Property, Arizona. Although the permitting process has taken longer than expected, management anticipates receiving all required permits by late 1997 and plans to put the Yarnell Deposit into production by mid to late 1998. Gold production from the Yarnell Deposit would increase the Company's total production by approximately 30,000 ounces annually at an estimated operating cash cost of $230 per ounce. Capital costs at Yarnell are currently estimated to approximate $6.5 million.

In April 1997, El Callao Mining, a company managed and 38% owned by Bema Gold, announced an initial geological resource of 2 million ounces of gold from the La Victoria and La Cruz deposits at the Lo Increible Property in Venezuela based on extensive diamond drilling. Since the resource was calculated, additional excellent drill results from holes outside the resource area have been received indicating that both deposits remain open along strike and more importantly at depth. Exploration drilling and feasibility work is ongoing at the Lo Increible property. Bema Gold's technical team is confident that the property will become a substantial low cost gold mine.

Clearly 1996 was the most successful year in the history of the Company with both the Refugio Mine commencing commercial production and the major discovery at the Cerro Casale Deposit. Management is looking forward to continued dramatic growth as we apply our proven strategy of turning our discoveries into gold mines and maintain our successful exploration and acquisition efforts.

Auditors' Report

To the Shareholders of
Bema Gold Corporation

We have audited the consolidated balance sheet of Bema Gold Corporation as at December 31, 1996 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The consolidated financial statements as at December 31, 1995 and for each of the years in the two-year period then ended were audited by other auditors who expressed an opinion without reservation on these financial statements in their report dated March 1, 1996.

Price Waterhouse

Chartered Accountants
March 5, 1997

Consolidated Balance Sheets

as at December 31	US$ in thousands 1996	1995
Assets		
CURRENT		
Cash *(Note 3)*	$ 66,594	$ 26,433
Short-term investments *(Note 3)*	1,459	4,090
Accounts and notes receivable	3,349	1,702
Inventories *(Note 4)*	5,680	-
Other	679	1,296
	77,761	33,521
INVESTMENTS *(Note 5)*	28,188	11,956
PROPERTY, PLANT AND EQUIPMENT *(Note 6)*	116,074	95,387
OTHER ASSETS *(Note 7)*	7,114	8,206
	$229,137	$149,070
Liabilities		
CURRENT		
Accounts payable	$ 10,386	$ 3,496
Current portion of long-term debt *(Note 8)*	19,914	16,531
	30,300	20,027
LONG-TERM DEBT *(Note 8)*	30,889	41,306
OTHER LIABILITIES	3,506	2,117
NON-CONTROLLING INTEREST	348	2,325
	65,043	65,775
Shareholders' Equity		
CAPITAL STOCK *(Note 9)*		
Authorized		
300,000,000 common shares with no par value		
Issued		
91,244,093 common shares (1995 - 70,358,421)	172,049	80,033
CONVERTIBLE DEBENTURES *(Note 10)*	19,813	26,639
DEFICIT *(Note 10)*	(27,768)	(23,377)
	164,094	83,295
	$229,137	$149,070

See accompanying notes to consolidated financial statements.

Commitments *(Note 11)*

Approved by the Board

Director

Director

Consolidated Statements of Operations and Deficit

for the years ended December 31	US$ in thousands (except shares and per share amounts)		
	1996	1995	1994
GOLD REVENUE	$ 10,808	$ -	$ -
OPERATING COSTS	6,603	-	-
GROSS PROFIT FROM MINE OPERATIONS	4,205	-	-
EXPENSES			
Depreciation and depletion	2,047	62	70
Mine royalty	378	-	-
Reclamation	-	264	377
General and administrative	3,269	2,295	1,635
Interest on long-term debt	851	157	262
Amortization of deferred financing costs	310	58	27
General exploration	380	374	411
	7,235	3,210	2,782
LOSS BEFORE THE FOLLOWING	(3,030)	(3,210)	(2,782)
Interest and other income	1,270	1,295	2,849
Investment gains	1,493	597	1,622
Property write-downs	(49)	(1,893)	(3,834)
Non-controlling interest	6	338	69
Share in losses of investees	(2,302)	(105)	(124)
LOSS BEFORE TAXES	(2,612)	(2,978)	(2,200)
Current capital taxes	(44)	(94)	(127)
Deferred withholding tax	(43)	-	-
LOSS FOR THE YEAR	(2,699)	(3,072)	(2,327)
DEFICIT, BEGINNING OF YEAR	(23,377)	(18,287)	(15,479)
Interest expense on equity component of convertible debentures *(Note 10)*	(1,692)	(2,018)	(481)
DEFICIT, END OF YEAR	$(27,768)	$(23,377)	$(18,287)
LOSS PER COMMON SHARE	$ (0.05)	$ (0.08)	$ (0.05)
Weighted average number of common shares outstanding (in thousands)	80,286	66,252	55,634

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

for the years ended December 31	US$ in thousands		
	1996	1995	1994
OPERATING ACTIVITIES			
Loss for the year	$ (2,699)	$ (3,072)	$ (2,327)
Non-cash charges (credits)			
Depreciation and depletion	2,047	62	70
Reclamation	-	(504)	139
Share in losses of investees	3,333	232	124
Amortization of deferred financing costs	310	27	(62)
Investment gains	(1,563)	(534)	(1,606)
Property write-downs	49	1,769	3,834
Non-controlling interest	(6)	(338)	(69)
Other	38	156	131
Changes in non-cash working capital			
Accounts and notes receivable	(1,449)	(15)	123
Inventories	(5,514)	-	3
Accounts payable	7,317	598	14
Cash from (to) operating activities	1,863	(1,619)	374
FINANCING ACTIVITIES			
Common shares issued *(Note 9)*	92,016	12,095	15,974
Subsidiary's shares issued	740	2,900	5,923
Issue of special warrants	-	-	33,000
Debenture conversions and repayments	(10,333)	-	(4,705)
Convertible debentures interest payments	(2,078)	(2,487)	-
Loan from joint venture partner	2,000	10,000	-
Gold loan proceeds	-	42,500	-
Gold loan repayments	(4,250)	-	-
Deferred financing costs	(238)	(1,609)	(3,494)
Other	1,088	3,084	(5,429)
Cash from financing activities	78,945	66,483	41,269
INVESTING ACTIVITIES			
Refugio mine development and construction	(14,193)	(56,049)	(1,606)
Acquisition, exploration and development	(13,483)	(10,303)	(11,378)
Investment purchases in associated companies *(Note 5)*	(20,030)	(5,692)	(2,911)
Short-term investments	2,631	(4,152)	-
Proceeds on sale of:			
Subsidiary shares	-	4,105	2,438
Investments	4,118	1,462	58
Other	310	(974)	(976)
Cash to investing activities	(40,647)	(71,603)	(14,375)
INCREASE (DECREASE) IN CASH	40,161	(6,739)	27,268
CASH, BEGINNING OF YEAR	26,433	33,172	5,904
CASH, END OF YEAR	$66,594	$26,433	$33,172

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1996, 1995 and 1994
(all tabular amounts are in thousands of United States dollars unless otherwise stated)

1 Summary of significant accounting policies

The consolidated financial statements of Bema Gold Corporation ("Bema"), its subsidiary companies and joint ventures (collectively "the Company") have been prepared in accordance with accounting principles generally accepted in Canada. As described in Note 18, these principles differ in certain material respects from accounting principles generally accepted in the United States. Certain of the prior years' comparative figures have been reclassified to conform with the presentation adopted for the current year.

PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include the accounts of Bema and its subsidiaries and a proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which the Company has an interest. Joint ventures of the Company include: Compania Minera Maricunga ("CMM"), Compania Minera Aldebaran ("CMA") and Compania Minera San Damian ("San Damian").

INVENTORIES
Gold doré inventories are valued at the lower of average production cost and net realizable value. In-process inventories are valued at the lower of moving average costs and net realizable value. Materials and supplies inventory are valued at the lower of average cost and current replacement cost.

PROPERTY, PLANT AND EQUIPMENT
Mine property, plant and equipment are recorded at cost. Repairs and maintenance expenditures are charged to operations; major improvements and replacements which extend the useful life of an asset are capitalized. Mine property, plant and machinery are amortized over the life of the mine by the unit-of-production method based on proven, probable and possible reserves. Mining equipment is depreciated on a straight-line basis, net of residual value, over the estimated useful life of the asset.

The cost of mineral properties includes direct exploration and development costs including administrative expenses and certain deferred charges that can be directly related to specific projects and pre-production net expenditures during mine development and construction.

Some of the Company's properties are in the exploration and development stage and have not yet attained commercial production. The ultimate realization of the value of properties in the exploration and development stage is dependent upon the successful development or sale of these properties.

Costs related to properties abandoned are written-off when it is determined that the property has no continuing value.

REVENUE RECOGNITION
Revenue is recorded at the estimated net realizable value when the gold doré is shipped. Adjustments to these amounts are made after final prices, weights and assays are established. The Company may fix the price it will receive for part or all of its production by entering into spot deferred or option contracts.

COMMODITY INSTRUMENTS
The Company uses derivative financial instruments including forward contracts and options to manage its exposure to fluctuations in the market price of gold. These instruments are intended to reduce or eliminate the risk of falling prices on the Company's future gold production and, in the case of purchased options, allow the realization of higher gold prices. Gains and losses on

forward contracts, including spot deferred contracts and options, are recognized in gold sales revenue when the related designated production is delivered.

Net option premiums paid or received on options purchased and written, are deferred and recognized in income when the related hedging transactions occur.

DEFERRED FINANCING COSTS

Financing costs, incurred on issuance of debt, are deferred and charged against earnings over the term of the indebtedness except for those amounts capitalized to mineral properties.

RECLAMATION COSTS

A provision for estimated future reclamation and mine closure costs is provided for on a unit-of-production basis over the life of the operation. Costs related to ongoing programs are expensed when incurred.

FOREIGN CURRENCY TRANSLATION

The Company has adopted the United States dollar as its reporting currency effective January 1, 1996 *(Note 2)*. The accounts of subsidiaries and associated companies, not reporting in U.S. dollars, which are integrated operations, are translated into U.S. dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in income for the year.

For each entity, transaction amounts denominated in foreign currencies are translated into local functional currency at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date. Gains and losses from restatement of foreign currency monetary assets and liabilities are included in income, except for those gains and losses related to long-term monetary assets or liabilities which are deferred and amortized over the life of the respective asset or liability. During mine development and construction, gains and losses arising on foreign currency translation may be capitalized to property, plant and equipment accounts.

CASH

Cash includes all highly liquid money market instruments which have a maturity of three months or less.

GOLD LOANS

Gold loans are initially recorded at the gold price received on the draw down date and are revalued at the market price of gold prevailing at each balance sheet date. The unrealized gain or loss resulting from the mark-to-market adjustment is recorded as either a deferred revenue or a deferred charge and amortized over the remaining term of the loan. When the Company delivers gold from production to repay the loan, the amount repaid will be recorded as gold revenue based on the initial draw down price.

2 Change in reporting currency

The consolidated financial statements have historically been expressed in Canadian dollars. As a result of sales revenues and a significant portion of expenses, assets and debt being denominated in or determined with reference to United States dollars, and the increasing international focus of the Company's operations, the United States dollar has become the principal currency of the Company's business. Accordingly, the United States dollar has been adopted as the reporting currency and currency of measurement effective January 1, 1996. The comparative financial information for 1995 and 1994 has been translated into United States dollars at the December 31, 1995 rate of U.S. $1.00 to Cdn. $1.3640.

3 Restricted cash and short-term investments

The Company has cash and short-term investments of $17.3 million (1995 - $17.3 million) held in escrow at December 31, 1996 as part of its gold loan guarantee *(Note 8)*.

4 Inventories

	1996	1995
Gold bullion	$ 217	$ -
In-process inventories	3,803	-
Materials and supplies	1,660	-
	$5,680	$ -

5 Investments

	1996			1995		
	Cost	Market	Ownership	Cost	Market	Ownership
Arizona Star Resource Corp.	$16,837	$ 88,918	32%	$ 3,251	$ 4,933	31%
El Callao Mining Corp.	10,920	13,997	40%	8,225	5,396	40%
Other	431	4,579		480	632	
	$28,188	$107,494		$11,956	$10,961	

Included in other investments are Puma Minerals Corp., Victoria Resource Corporation and Consolidated Westview Resource Corp.

During the year, Bema purchased 3,380,000 shares of Arizona Star Resource Corp. ("Arizona Star") for $14.1 million to hold 11,889,920 shares at an average price of $1.42 per share at December 31, 1996. Also in 1996 Bema purchased 4,176,356 shares of El Callao Mining Corp. ("El Callao Mining") for $3.5 million to hold 12,974,430 shares at an average price of $0.70 per share at December 31, 1996 and advanced in December 1996 $1.8 million for a private placement of 1,670,000 shares of El Callao Mining, which were issued to Bema on closing in January 1997.

6 Property, plant and equipment

	1996	1995
Refugio Mine		
Plant and equipment	$ 52,501	$ 1,343
Development	38,667	26,787
Construction-in-progress	-	47,048
	91,168	75,178
Aldebaran property	10,793	2,702
Development properties	9,867	8,278
Exploration properties	6,939	8,844
Other	1,030	1,072
	119,797	96,074
Less: Accumulated depreciation and depletion		
Refugio Mine	(3,200)	-
Other	(523)	(687)
	(3,723)	(687)
	$116,074	$95,387

During 1996, long-term debt interest expense of $2,186,000 (1995 - $2,420,000) was capitalized to the Refugio Mine development costs.

7 Other assets

	1996	1995
Deferred financing costs, net of amortization	$4,444	$5,340
Deferred charges	1,202	2,558
Refundable Chilean value added tax	1,057	-
Other	411	308
	$7,114	$8,206

8 Long-term debt

	1996	1995
Gold loan	$37,143	$43,249
Loans from joint venture partner	12,000	10,000
Convertible debentures *(Note 10)*	1,660	4,588
	50,803	57,837
Less: Current portion		
Gold loan	8,254	4,325
Loans from joint venture partner	10,000	10,000
Convertible debentures	1,660	2,206
	19,914	16,531
	$30,889	$41,306

- On November 23, 1994, CMM entered into a gold loan agreement with a group of banks for $85 million to be used for the construction of the Refugio Mine in Chile. On February 14, 1995, CMM drew down the $85 million loan priced at $380 per ounce of gold representing a borrowing of 223,684 ounces of which the Company's portion was $42.5 million. Bema is guaranteeing its 50% proportionate share of the loan until certain production and cash reserve requirements have been met ("Release Date"), which it estimates will occur in December 1997, after which the loan becomes a non-recourse project loan. The interest rate on the loan is referenced to the London Interbank Offered Rate ("LIBOR")(December 31, 1996 - 5.3069%). Repayment of the loan is to be made in ten equal semi-annual instalments commencing December 31, 1996 with provision for mandatory accelerated repayments based on CMM's cash reserves.
- Until the Release Date, the Company is required to maintain $17.3 million in Deposit Accounts of which $10 million was funded by a loan from the joint venture partner to Bema Gold (Bermuda) Ltd. on February 14, 1995 ("JV Loan"). Interest on the JV Loan is LIBOR based (December 31, 1996 - 7.6875%), payable on the Release Date. Interest received on the $10 million Deposit Account is paid to the joint venture partner and is applied against the outstanding JV Loan interest due on the Release Date.
- Under a separate agreement with the CMM joint venture partner, Bema Gold (Bermuda) Ltd. was advanced $2 million ("Refugio Loan") repayable from future cash distributions by CMM. Interest on the Refugio Loan is LIBOR based (December 31, 1996 - 7.6875%).

9 Capital stock

	1996		1995		1994	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, beginning of year	70,358,421	$ 80,033	62,083,485	$67,938	51,434,093	$51,965
Issued during year						
For cash, net of costs	11,000,000	71,048	4,025,000	7,525	5,000,000	10,092
On conversion of debentures, net of costs	5,040,481	9,592	-	-	4,106,500	4,431
For cash on exercise of warrants	2,012,500	4,770	3,012,376	3,290	1,221,892	1,262
For cash on exercise of directors' and employees' stock options	1,925,250	2,906	769,000	513	321,000	188
For properties	907,441	3,700	468,560	767	-	-
Balance, end of year	91,244,093	$172,049	70,358,421	$80,033	62,083,485	$67,938

The shareholders have adopted a shareholder rights plan, creating the potential for substantial dilution of an acquirer's position.

At December 31, 1996, Bema had outstanding directors' and employees' stock options for a total of 4,821,250 shares. These options are exercisable at prices ranging from Cdn. $2.07 to Cdn. $7.85 per share and expire on various dates from October 18, 1998 to December 9, 2001.

10 Convertible debentures

On October 1, 1994, Bema issued $33 million in Special Warrants which were exchanged on February 27, 1995 into a like principal amount of 7.5% unsecured subordinated convertible debentures ("Debentures") maturing February 28, 2000 and convertible by the holder at any time at $2.05 per share ("Conversion Price"). Interest is payable semi-annually beginning April 1, 1995.

After September 30, 1997, Bema may redeem prior to maturity the Debentures plus accrued interest ("Redemption Amount") if the weighted average share price exceeds 125% of the Conversion Price for the 20 consecutive trading days ending five trading days preceding the date of the redemption, otherwise, a prepayment charge equal to $25 per $100 principal amount of Debentures is added to the Redemption Amount ("Adjusted Redemption Amount"). When the price per share does not exceed 125% of the Conversion Price, the shares to be issued are obtained by dividing the Adjusted Redemption Amount by 95% of the weighted average share trading price.

On maturity, Bema may at its option satisfy the principal and accrued interest on the Debentures in cash or in shares based on 95% of the weighted average share trading price if the shares are trading below the Conversion Price. At December 31, 1996, $22,667,000 (1995 - $33 million) principal amount of Debentures remain outstanding.

In accordance with the new Canadian accounting requirements related to the presentation of convertible debt instruments, the convertible debentures have been split between long-term debt and equity components. Interest expense related to the equity component of the convertible debentures is reflected as a charge to deficit. The 1995 and 1994 comparative figures have been restated to reflect this change in presentation.

11 Hedging commitments

At December 31, 1996, the Company's hedging program consists of the following gold contracts:

	1997	1998	1999
Spot deferred contracts (ounces)	6,200	10,000	7,500
Average price per ounce	$437	$436	$413
Call options sold (ounces)	24,250	12,950	26,750
Average price per ounce	$417	$450	$451
Put options purchased (ounces)	80,004	73,503	30,000
Average price per ounce	$380	$381	$383

The gold loan agreement requires CMM to maintain sufficient gold hedges to cover the Refugio Mine's operating and capital costs for an ongoing period of two and one-half years.

Spot deferred forward contracts are a forward sale which can be rolled over until the intended delivery date of the designated production. The average price reflects the estimated cumulative net value to the designated delivery dates.

Call options sold by the Company provide the buyer with the right, but not the obligation, to purchase production from the Company at a predetermined price on the exercise date of the option.

Put options purchased by the Company establish a minimum sales price for the production covered by such put options and permit the Company to participate in any price increases above its strike price.

12 Fair value of financial instruments

At December 31, 1996 and 1995, the fair value of cash, short-term investments, accounts and notes receivable and accounts payable approximate carrying values because of the short-term nature of these instruments.

The carrying values and estimated fair values of the Company's other financial instruments are as follows:

	1996		1995	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Metal contracts and options	$ -	$1,320	$ -	$ -
Financial liabilities				
Convertible debentures	$1,660	$1,620	$4,588	$4,496
Put option premiums payable	$1,202	$1,117	$1,760	$1,271

Year-end quoted market prices for specific or similar instruments were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value. For metal and currency contracts and options, the fair value is calculated using the spot and forward prices and volatilities as at December 31, 1996.

Financial instruments which subject the Company to market risk and concentrations of credit risk consist primarily of cash and short-term investments, and spot deferred and option contracts for metals.

The Company places its cash and short-term investments in high quality securities issued by government agencies, financial institutions and major corporations and limits the amount of credit exposure by diversifying its holdings.

The Company's exposure to credit risk in the event of non-performance by counterparties in connection with its metal forward and option contracts is limited to the unrealized gains on outstanding contracts based on current market prices. The Company believes it has minimized credit risk by monitoring the financial condition of its counterparties and dealing with large, credit worthy institutions.

13 Supplemental disclosure of cash flow information

	1996	1995	1994
Interest received	$ 1,499	$798	$1,017
Cash paid during year			
Interest (net of amount capitalized)	$ 2,596	$889	$ 64
Capital taxes	$ 108	$ 95	$ 53
Non-cash investing and financing activities			
Depreciation and amortization capitalized	$ 1,732	$859	$ 201
Common shares issued for properties	$ 3,700	$767	$ -
Common shares issued on conversion of debentures	$10,333	$ -	$4,463

14 Related party transactions

In addition to transactions disclosed elsewhere in these financial statements, the Company:

- provided management services, and evaluation and assessment work on resource properties to associated companies managed by Bema totalling $1,058,000 in 1996 (1995 - $680,351; 1994 - $81,000). As at December 31, 1996, Bema had an accounts receivable and notes receivable balance of $1,707,000 (1995 - $1,205,000) due from these companies;
- was billed in 1996 by entities related to directors of Bema for legal and consulting services totalling $106,000 (1995 - $196,000; 1994 - $736,000) and for financing costs totalling $59,000 (1995 - $124,000; 1994 - $1,531,000). As at December 31, 1996, the Company had an accounts payable balance of $55,000 (1995 - $7,000) to these entities.

15 Income taxes

Non-capital loss carry-forwards for Canadian tax purposes of $9,504,000 commence to expire in 1997 to 2003 unless utilized (1997 - $15,000; 1998 - $1,316,000; 1999 - $1,169,000; 2000- $13,000; 2001 - $993,000; 2002 - $3,522,000; 2003 - $2,476,000). For U.S. income tax purposes loss carryforwards of $14 million commence to expire in the year 2000 through to 2010 unless utilized.

16 Incorporated joint ventures

The Company has included in its accounts the following aggregate amounts in respect of Compania Minera Maricunga (50%), Compania Minera Aldebaran (49%) and Compania Minera San Damian (50%) which are incorporated joint ventures:

	1996	1995
BALANCE SHEETS		
Current assets	$ 11,434	$ 6,332
Property, plant and equipment	$ 89,587	$ 70,931
Other assets	$ 2,623	$ 2,726
Current liabilities	$ 16,084	$ 5,926
Long-term debt	$ 28,889	$ 38,924
Other liabilities	$ 1,971	$ 833

	1996	1995	1994
STATEMENTS OF OPERATIONS			
Gross profit from mine operations	$ 4,116	$ -	$ -
Net income for the year	$ 1,085	$ -	$ -
STATEMENTS OF CASH FLOWS			
Operating activities	$ (1,429)	$ (270)	$ (360)
Financing activities	$ (4,250)	$ 41,500	$(1,277)
Investing activities	$(21,820)	$(56,988)	$(7,207)

Pursuant to an agreement with Arizona Star, Arizona Star will transfer to Bema 2% of its interest in CMA (Arizona Star 51%/Bema 49%) in the event that Bema arranges production financing for at least 60% of the total project mine construction costs. The agreement also provides that upon a change in control of Arizona Star, Arizona Star will transfer to Bema that number of shares in the capital of CMA that represent 2% of the capital of CMA, with Bema paying to Arizona Star an amount equal to 2% of the net present value of the Aldebaran property.

The Company, through CMM, is to make quarterly production royalty payments of between 1% and 2.5% based on the average gold price. The royalty is capped at 37,000 ounces of gold.

17 Segmented information

The Company operates in the mining sector in the following geographical locations and has one producing mine located in Chile:

	1996	1995	1994
Net income (loss) for year			
Bermuda	$ (194)	$ (70)	$ -
Canada	(2,926)	(1,190)	(1,895)
Chile	834	(554)	-
United States	(413)	(1,258)	(432)
	$ (2,699)	$ (3,072)	$(2,327)
Identifiable assets at end of year			
Argentina	$ -	$ 4,209	
Bermuda	53,254	10,118	
Canada	44,388	29,267	
Chile	118,426	93,544	
United States	13,069	11,932	
	$229,137	$149,070	

All revenues were derived from one bullion dealer on which the Company was not economically dependent as alternative markets for the sale of gold doré were readily available.

18 Differences between Canadian and U.S. generally accepted accounting principles

The consolidated financial statements of the Company have been prepared according to Canadian generally accepted accounting principles ("Canadian GAAP") which differ in certain material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). The material differences between Canadian and U.S. GAAP, and their effect on the Company's consolidated financial statements are summarized below:

CONSOLIDATED STATEMENTS OF OPERATIONS		1996	1995	1994
Loss for year				
Canadian GAAP		$(2,699)	$(3,072)	$(2,327)
Change in reporting currency (iii)	6	(22)	418	(2,828)
Convertible debentures (viii)	45	(1,238)	(976)	(283)
Investment gains (losses)(i)(ii)	42	(76)	(3,415)	(1,167)
Depreciation and depletion (ix)	29	(383)	-	-
Net foreign exchange gain (loss)(iv)	1	(137)	964	(202)
General and administrative expense (vii)	65	(312)	(212)	-
U.S. GAAP		$(4,867)	$(6,293)	$(6,807)
Loss per common share - U.S. GAAP		$ (0.06)	$ (0.09)	$ (0.12)

CONSOLIDATED BALANCE SHEETS		1996	1995
Capital Stock			
Canadian GAAP		$172,049	$80,033
Change in reporting currency (iii)	6	6,598	6,593
Mining property acquisition costs (i)	42	9,878	9,878
Excess value of shares issued (v)	36	(2,604)	(2,604)
Gain on shares issued by subsidiaries (ii)	42	3,677	3,601
Acquisition (v)	36	1,268	1,268
Stock option plan (vii)	65	712	400
U.S. GAAP		$191,578	$99,169

		1996		1995	
		Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Accounts and notes receivable		$ 3,349	$ 3,307	$ 1,702	$ 1,664
Investments (ii)		$ 28,188	$ 28,188	$ 11,956	$ 9,061
Property, plant and equipment (i)(iii)(v)(viii)(ix)	2,496	$116,074	$118,500	$ 95,387	$ 97,295
Other assets (viii)	302	$ 7,114	$ 7,416	$ 8,206	$ 9,768
Long-term debt (viii)	(21,007)	$ 50,803	$ 71,810	$ 57,837	$ 86,249
Other liabilities (iii)(iv)(viii)	600	$ 3,506	$ 2,906	$ 2,117	$ 1,621
Other equity (ii)(viii)		$ 19,813	$ -	$ 26,639	$ (2,896)
Deficit		$ (27,768)	$ (45,587)	$(23,377)	$(40,719)
		(17,819)			

① × 1,588/1,314 = 18,667 (45)
② × 76/1,314 = 1,146 (42)

?	2,496
45	302
45	(21,007)
?	600
112	(140)
	(17,819)

(i) Amalgamation
U.S. GAAP requires the amalgamation of companies to be accounted for under the purchase method if one of the amalgamating companies owns 10% or more of the total outstanding voting common stock of any of the combining enterprises, whereas Canadian GAAP allows for the pooling of interests method to be used. Under the purchase method, generally the market value of the amalgamated company's shares exchanged in the acquisition is used to determine the purchase price of the net assets acquired and these net assets are recorded at fair market value. The pooling of interests method results in the combination of the assets, liabilities and equity of the amalgamating companies at book values.

(ii) Long-term investments
U.S. GAAP requires long-term investments to be recorded at the lower of cost and market. Canadian GAAP does not require a write-down to market value unless the impairment to

long-term investments is considered to be permanent or has persisted for several consecutive years. Furthermore, under U.S. GAAP the gain or loss resulting from shares issued by a subsidiary is treated as additional paid-in capital, while under Canadian GAAP the gain or loss is reflected in earnings.

(iii) Change in reporting currency

U.S. GAAP requires that where a change in reporting currency has been made, the financial statements of periods prior to the change are to be comprehensively recast as if the new currency had been used. The prior years' financial statements would be translated to the new reporting currency using the relevant bases and rates for the respective years. Under Canadian GAAP, comparative figures are presented using a translation of convenience *(Note 2).*

(iv) Exchange on long-term monetary items

U.S. GAAP requires unrealized exchange gains or losses on long-term monetary items with fixed or ascertainable lives to be included in income as they arise, whereas under Canadian GAAP such items are deferred and amortized over the remaining life of the related item.

(v) Acquisition

U.S. GAAP permits the acquisition of a company by way of an exchange of common shares between companies, that were not related within two years before the plan of combination is initiated, to be treated as a pooling of interests. Under Canadian GAAP, the purchase method is used if an acquirer can be identified. The major difference between the two methods is that the pooling of interests method requires the assets, liabilities and equity of the companies be combined at book value, while the purchase method requires the net assets of the acquired company be recorded at fair market value as of the date of acquisition.

(vi) Incorporated joint ventures

U.S. GAAP requires investments in incorporated joint ventures to be accounted for under the equity method, while under Canadian GAAP, the accounts of incorporated joint ventures are proportionately consolidated. However, under rules promulgated by the Securities and Exchange Commission ("SEC"), a foreign registrant may, subject to the provision of additional information, continue to follow proportionate consolidation for purposes of registration and other filings notwithstanding the departure from U.S. GAAP. Consequently, the consolidated balance sheets have not been adjusted to restate the accounting for joint ventures under U.S. GAAP. Additional information concerning the Company's interests in joint ventures is presented in Note 16.

(vii) Stock option plan

U.S. GAAP requires the difference between the market price of the stock at the date of grant and the exercise price of the stock option to be expensed as compensation cost over the period between the date of granting the option and the date it is first exercisable. Under Canadian GAAP, stock options are accounted for as an issue of share capital when the option is exercised.

(viii) Convertible debentures

Under U.S. GAAP, convertible debt instruments are classified as debt until converted to equity, whereas under Canadian GAAP, the long-term debt and equity components are determined and shown separately.

(ix) Depreciation and depletion

Under U.S. GAAP and SEC regulations, depreciation and depletion calculated on the units of production basis are based on proven and probable reserves, whereas under Canadian GAAP, proven, probable and possible reserves may be used.

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